

# THE DEPARTMENT OF STATE



# Bulletin

Vol. XXXIX, No. 1003

September 15, 1958

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THE  
OFFICIAL  
WEEKLY RECORD  
OF  
UNITED STATES  
FOREIGN POLICY

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*The Department of State BULLETIN, a weekly publication issued by the Public Services Division, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest.*

*Publications of the Department, United Nations documents, and legislative material in the field of international relations are listed currently.*

## General Assembly Emergency Session Adopts Arab Resolution on the Middle East

*The third emergency special session of the United Nations General Assembly met from August 8 to 21 to consider basic problems facing the United Nations in the Middle East in accordance with a resolution adopted by the Security Council on August 7 (U.N. doc. S/4083). Substantive debate was opened on August 13 with an address by President Eisenhower.<sup>1</sup> Following is a statement made by Secretary Dulles in plenary session on August 21, together with the text of an Arab-sponsored resolution which was unanimously adopted by the General Assembly emergency session on August 21.*

### STATEMENT BY SECRETARY DULLES

U.S./U.N. press release 2983 dated August 21

Mr. President and fellow delegates:

The General Assembly here deals with a most difficult and delicate problem. On the one hand, it is necessary that two small states, Lebanon and Jordan, shall be given security and assurance of political independence. On the other hand, we need to make certain that this shall be done in ways which do not themselves encroach upon political independence.

The United States responded to the unsolicited appeal of the Government of Lebanon<sup>2</sup> because we believed failure to respond would have condemned many small nations to a sense of insecurity and instilled in many a fatalistic resignation to the inevitability of being dominated by powerful neighbors. This would have frustrated one of the basic concepts of our charter, namely, that of the equal rights of nations, large and small. The

world must be made safe for small nations. We acted in that spirit and for that purpose and for that purpose alone.

But we did not feel that our action was an ideal solution. The preferable solution would have been collective action of the world community represented by the United Nations. But that would have taken time.

However, the moment the United States acted, we also went to the Security Council and sought from it action which would have replaced our own.<sup>3</sup> When relief in the Security Council was frustrated we came here.

As a result of the discussions here, public and private, there has, it seems, emerged general agreement on three basic propositions:

One—there is need to reaffirm, not only in terms of words but of deeds, the principle of our charter and of prior General Assembly resolutions that each member state should respect the freedom, independence, and integrity of other states and scrupulously avoid what might foment civil strife within another state.

Two—any resolution reaffirming these principles should be reinforced in the case of Lebanon and Jordan by some presence there of the United Nations. That would serve both as reassurance and as warning.

Three—the foreign troops which went into Lebanon and Jordan as an emergency measure should be withdrawn and withdrawn as quickly as other measures were taken which could reasonably be undertaken to assure the independence, security, and integrity of these countries.

These three elements were present in the United States and Japanese resolutions in the Security Council. They were present in a resolution intro-

<sup>1</sup> BULLETIN of Sept. 1, 1958, p. 337.

<sup>2</sup> For background, see *ibid.*, Aug. 4, 1958, p. 181.

<sup>3</sup> *Ibid.*, p. 186.

duced by Norway and other sponsors,<sup>4</sup> and they are also present in the resolution now introduced under the cosponsorship of the ten Arab countries.<sup>5</sup>

Mr. President, we think it particularly important and much to be praised that the countries involved directly in the controversy, which gave rise to this emergency meeting of the General Assembly, have themselves agreed on a formula of solution. This is an event of happy augury, and the United States, I may say, supports the Arab resolution.

Let me now briefly comment upon the two resolutions—the Arab and the Norwegian resolutions.

Both of these resolutions begin by emphasizing the charter aim that states should “practice tolerance and live together in peace with one another as good neighbors.” The general area of the Near East has unhappily been plagued by much intolerance. It is devoutly to be hoped that this admonition of the two principal resolutions now before this General Assembly means in fact that a new era of tolerance may be dawning in the Near East.

The second preambular section of the Arab resolution notes the undertaking of the Arab countries pursuant to the Pact of the League of Arab States. The United States, which is itself a member of such organizations as the Organization of American States and the North Atlantic Treaty Organization, welcomes the strengthening everywhere of ties which are designed to keep peace and harmony as between the members and which equally accept the overriding provisions of the United Nations Charter dealing with relations of states with each other.

With respect to section A of the Arab and Norwegian resolutions,<sup>6</sup> we find them substantially equivalent. We would have somewhat preferred, as a matter of taste or precedent, the language of the Norwegian resolution, which reflects prior resolutions of this General Assembly, rather than

comparable language of a group of our members. But, if the Arab resolution is, as we anticipate, to be voted on as a whole without amendments, we will accept the language of section A, particularly because paragraph 2 of part A of the Arab resolution goes beyond the obligations of the Arab nations as between themselves and deals broadly with the obligations of all members of the United Nations under our charter to deal with each other in accordance with the provisions of that charter.

Section B of the two resolutions is substantially identical in their mandate to the Secretary-General, a mandate which we think should produce solid reassurances of security, integrity, and independence for Lebanon and Jordan.

The two resolutions differ in form, although, we think, not in substance, with respect to the withdrawal of foreign forces. The Norwegian resolution took note of the declarations of the Government of the United States and the Government of the United Kingdom that they will withdraw as soon as the Governments of Lebanon and Jordan so requested or as soon as substitute arrangements were made by the United Nations. The Arab resolution in effect incorporates the latter concept into the resolution itself. This is entirely acceptable to the United States. We have made clear from the beginning that we do not believe that nations, particularly small nations, threatened with danger from without should be dependent upon inviting the presence of the forces of other nations. This is legitimate in cases like that of Lebanon and Jordan, but intervention is a practice which can be abused and can lead to the domination of one country by another. That regrettably has happened. The course much to be preferred is that which these resolutions indicate, namely, to have the United Nations ready, willing, and able to take measures so that the need of foreign forces is obviated.

The United States desires at the earliest practical moment to withdraw its forces from Lebanon. We said this when we went in. We have been saying it almost every day since, and also we and the United Kingdom have solemnly affirmed our position in communications to the President of this Assembly.

We rejoice at the prospective assumption by the United Nations of responsibilities which in an emergency we reluctantly assumed and which we are eager to lay down.

<sup>4</sup> U.N. doc. A/3878. The Norwegian representative, on behalf of the cosponsors, announced he would not press for a vote on the resolution in light of the Arab draft resolution.

<sup>5</sup> U.N. doc. A/3893/Rev. 1, sponsored by Iraq, Jordan, Lebanon, Libya, Morocco, Saudi Arabia, Sudan, Tunisia, United Arab Republic, and Yemen.

<sup>6</sup> In the Norwegian and Arab draft resolutions the operative sections are labeled A, B, C, and D, where the resolution as adopted uses Roman numerals I, II, III, and IV.



In this connection I want to take this occasion to express, on behalf of the Government of the United States, our appreciation of the fact that it seems that every nation here, whatever some may have said, really has confidence in the integrity of the purposes of the United States in this matter. That is a tribute we appreciate and we shall seek always to deserve.

Section C of the Arab resolution coincides with the provisions of the section C (2) of the Norwegian resolution. This deals with the possible creation of an Arab development institution. We believe, and President Eisenhower's address clearly emphasized, that this is an important aspect of the Near East problem.

The Arab resolution omits reference to the consideration by the 13th, that is, the forthcoming General Assembly of a standby United Nations peace force. We believe that it would have been appropriate to keep this reference in the resolution, but, irrespective of that, the fact is that the matter will in any event be considered by the 13th session of the General Assembly.

Section D of the Arab resolution is identical with section D of the Norwegian resolution dealing with the operative provisions.

The United States takes much satisfaction from the fact that the countries in direct controversy have found it possible to agree on action by this emergency session. It has called for constructive action, thinking, and planning by all concerned on whichever side. The result arrived at justifies the great faith which the United States has always placed in this General Assembly which operates free of veto power and where free-world opinion has an opportunity to crystallize along sober and constructive lines.

Having said this, Mr. President, let me stress that no resolution, in and of itself, will solve the problems of the Near East. These problems have deep roots. They cannot easily be eradicated. They have explosive aspects which can surprise us at any time. No Assembly resolution can of itself solve these problems, and it would be folly for us to go away from here confident that the problem of the Near East has been solved by this resolution. But, if the principles of the Arab resolution are put into practice, then the problems, we believe, can be solved.

In the broadest sense, what we confront here is not intrinsically a question of detailed wording.

It is a matter of spirit and of purpose. What we say here constitutes an appeal for wisdom and moderation on the part of the leaders of the countries of the Near East and, indeed, of the leaders throughout the whole world.

The United States believes that this emergency meeting of the General Assembly creates an opportunity which, if it is availed of, will not only mark a great new triumph for the United Nations but will also prompt the political, economic, and social welfare of the nations of the Near East. That, however, we repeat, depends primarily not upon our words but upon deeds. Words that we utter here can be helpful, but the final answer is to be sought elsewhere. The fact that the nations which complained and the nations which were complained against now are in agreement is a good augury. It does not of itself mean that we can take the future for granted, but we can and do look to that future hopefully.

#### TEXT OF RESOLUTION

U.N. doc. A/Res./1237 (ES-III)

*The General Assembly,*

*Having considered* the item "Questions considered by the Security Council at its 838th meeting on 7 August 1958",

*Noting* the Charter aim that States should "practise tolerance and live together in peace with one another as good neighbours",

*Noting* that the Arab States have agreed, in the Pact of the League of Arab States to "strengthen the close relations and numerous ties which link the Arab States, and to support and stabilize these ties upon a basis of respect for the independence and sovereignty of these States, and to direct their efforts toward the common good of all the Arab countries, the improvement of their status, the security of their future and the realization of their aspirations and hopes",

*Desiring* to relieve international tension,

#### I

1. *Welcomes* the renewed assurances given by the Arab States to observe the provision of Article 8 of the Pact of the League of Arab States that "Each member State shall respect the systems of government established in the other member States and regard them as exclusive concerns of these States", and that "Each shall pledge to abstain from any action calculated to change established systems of government";

2. *Calls upon* all States Members of the United Nations to act strictly in accordance with the principles of mutual respect for each other's territorial integrity and sovereignty, of non-aggression, of strict non-interference in

each other's internal affairs, and of equal and mutual benefit, and to ensure that their conduct by word and deed conforms to these principles;

## II

*Requests* the Secretary-General to make forthwith, in consultation with the Governments concerned and in accordance with the Charter, and having in mind part I of this resolution, such practical arrangements as would adequately help in upholding the purposes and principles of the Charter in relation to Lebanon and Jordan in the present circumstances, and thereby facilitate the early withdrawal of the foreign troops from the two countries;

## III

*Invites* the Secretary-General to continue his studies now under way and in this context to consult as appropriate with the Arab countries of the Near East with a view to possible assistance regarding an Arab development institution designed to further economic growth in these countries;

## IV

1. *Requests* Member States to co-operate fully in carrying out this resolution;
2. *Invites* the Secretary-General to report hereunder, as appropriate, the first such report to be made not later than 30 September 1958.

## President Proposes Consideration of Increased Resources for International Monetary Fund and World Bank

*Following is an exchange of letters between President Eisenhower and Secretary of the Treasury Robert B. Anderson.*

### THE PRESIDENT TO SECRETARY ANDERSON

AUGUST 26, 1958.

DEAR MR. SECRETARY: I have read with great interest your letter concerning the adequacy of the present resources of the International Monetary Fund and the International Bank for Reconstruction and Development.

I thoroughly agree with you that the well-being of the free world is vitally affected by the progress of the nations in the less developed areas as well as the economic situation in the more industrialized countries. A sound and sustainable rate of economic growth in the free world is a central objective of our policy.

It is universally true, in my opinion, that governmental strength and social stability call for an economic environment which is both dynamic and financially sound. Among the principal elements in maintaining such an economic basis for the free world are (1) a continuing growth in productive investment, international as well as domestic; (2) financial policies that will command the confidence of the public, and assure the strength of currencies;

and (3) mutually beneficial international trade and a constant effort to avoid hampering restrictions on the freedom of exchange transactions.

During the past year, as you know, major advances have been made in our own programs for dealing with these problems. These include an increase in the lending authority of the Export-Import Bank; establishment of the Development Loan Fund on a firmer basis through incorporation and enlargement of its resources; extension and broadening of the Reciprocal Trade Agreements Act; and continuation of the programs carried forward under the Agricultural Trade Development and Assistance Act.

Our own programs, however, can do only a part of the job. Accordingly, as we carry them forward, we should also seek a major expansion in the international programs designed to promote economic growth with the indispensable aid of strong and healthy currencies.

As you have pointed out, the International Bank for Reconstruction and Development and the International Monetary Fund are international instruments of proved effectiveness already engaged in this work. While both institutions still have uncommitted resources, I am convinced that the time has now come for us to consider, together with the other members of these two agencies, how we can better equip them for the tasks of the decade ahead.

Accordingly, I request, assuming concurrence by the interested members of the Congress with whom you will consult, that you take the necessary steps in conjunction with the National Advisory Council on International Monetary and Financial Problems, to support a course of action along the following lines:

*First:* In your capacity as United States Governor of the International Monetary Fund, I should like to have you propose, at the Annual Meeting of the Fund at New Delhi in October, that prompt consideration be given to the advisability of a general increase in the quotas assigned to the member governments.

The past ten years testify to the important role played by the International Monetary Fund in assisting countries which, from time to time, have encountered temporary difficulties in their balance of payments. We are now entering a period when the implementation of effective and sound economic policies may be increasingly dependent in many countries upon the facilities and technical advice which the Fund can make available as they meet temporary external financial difficulties. This is particularly true of the less developed countries with the great variability in foreign exchange receipts to which they are subject from time to time. It also applies to industrialized countries which are dependent on foreign trade. Through its growing experience and increasingly close relations with its members, the Fund can also help see to it that countries are encouraged to pursue policies that create stable financial and monetary conditions while contributing to expanding world trade and income. The International Monetary Fund is uniquely qualified to harmonize these objectives but its present resources do not appear adequate to the task.

*Second:* In your capacity as United States Governor of the International Bank for Reconstruction and Development, I should like to have you propose, at the Annual Meeting of the Bank, that prompt consideration be given to the advisability of an increase in the authorized capital of the Bank and to the offering of such additional capital for subscription by the Bank's member governments. Such additional capital subscriptions, if authorized, would not necessarily require additional payments to be made to the Bank; they would, however, ensure the adequacy of the Bank's lending resources for an extended period by

strengthening the guarantees which stand behind the Bank's obligations.

The demands upon the Bank for development loans have been increasing rapidly, and it is in a position to make a growing contribution to the economic progress of the free world in the period which lies ahead. Moreover, it can do this by channeling the savings of private investors throughout the world into sound loans, repayable in dollars or other major currencies. But to meet the rising need for such sound development loans, it must be able to raise the funds in the capital markets of the free world. An increase in the Bank's subscribed capital, by increasing the extent of the responsibility of member governments for assuring that the Bank will always be in a position to meet its obligations, would enable the Bank to place a larger volume of its securities in a broader market, while still maintaining the prime quality of its securities and hence the favorable terms on which it can borrow and re-lend funds.

*Third:* With respect to the proposal for an International Development Association, I believe that such an affiliate of the International Bank, if adequately supported by a number of countries able to contribute, could provide a useful supplement to the existing lending activities of the Bank and thereby accelerate the pace of economic development in the less developed member countries of the Bank. In connection with the study of this matter that you are undertaking in the National Advisory Council pursuant to the Senate Resolution, I note that you contemplate informal discussions with other member governments of the Bank with a view to ascertaining their attitude toward an expansion of the Bank's responsibilities along these lines. If the results indicate that the creation of the International Development Association would be feasible, I request that, as a third step, you initiate promptly negotiations looking toward the establishment of such an affiliate of the Bank.

The three-point program I have suggested for consideration would require intensified international cooperation directed to a broad attack upon some of the major economic problems of our time. A concerted and successful international effort along these lines would, I feel certain, create a great new source of hope for all those who share our conviction that with material bet-

terment and free institutions flourishing side by side we can look forward with confidence to a peaceful world.

Sincerely,

DWIGHT D. EISENHOWER

The Honorable ROBERT B. ANDERSON  
*Secretary of the Treasury*  
*Washington, D. C.*

**SECRETARY ANDERSON TO THE PRESIDENT**

AUGUST 18, 1958.

DEAR MR. PRESIDENT: We have frequently discussed together the importance of a sound and sustainable growth in the economy of the free world to both the foreign and domestic policy objectives of the United States. Over the longer term, I believe that the well-being of the friendly nations depends not only on the economic and financial health of the industrialized nations of Europe, North America, and elsewhere, but also upon the economic growth and progress of nations in the less developed areas of the free world.

Through a number of measures the United States has been pursuing these objectives, and this year we have taken major steps forward in our own programs. It would seem highly desirable that the nations of the free world as a whole should move forward cooperatively to deal more effectively with the problem. One of the best ways of achieving such cooperation would be by strengthening the financial institutions already established. In the International Bank for Reconstruction and Development and the International Monetary Fund we have seasoned international instruments now engaged in this work.

Both of these organizations have staffs of internationally recruited experts who, with over a decade of experience behind them, have demonstrated their ability to act effectively and impartially. Both have established operating standards and policies which command the respect of their member governments. The Fund has provided short-term financial assistance to 35 member countries, aggregating the equivalent of over \$3 billion. Through such assistance and the influence it has been able to bring to bear for the adoption of

sound currency and exchange policies, the Fund has contributed substantially towards monetary stability and a freer flow of international trade and payments. The Bank has invested some \$3.8 billion in productive development projects in 47 different countries and territories, most of them under-developed. Loans by the Bank are running at the rate of about \$750 million a year. The Bank's financing and technical assistance activities have served to accelerate the pace of economic growth all over the free world; and it has carried on these activities on a basis that has earned for the Bank the confidence of all major private capital markets. The establishment of the International Finance Corporation, which supplies capital to encourage the growth of productive private enterprise, has recently increased the scope and flexibility of the Bank's field of operation.

The International Monetary Fund utilizes for its operations gold and member country currencies which have been provided to it by the member countries through their subscriptions to its capital. Advances by the Fund in the past two years have amounted to approximately \$1.8 billion and nearly \$900 million additional are in effect earmarked against standby commitments which the Fund has undertaken.

Under the charter of the International Bank, a small part of its authorized capital is available for loans, but the Bank must depend primarily on borrowings in the financial markets of the world. The major part of the authorized capital in effect constitutes a guarantee for these borrowings. The Bank has raised the equivalent of more than \$2 billion through issuing its bonds denominated in six different currencies. At present the equivalent of about \$1.7 billion is outstanding in such bonds. The Bank's bonds are recognized throughout the world as securities of the highest quality and, as a result, the Bank has been able to borrow large sums of money at frequent intervals at rates of interest comparable to those of highly-regarded government securities. This in turn has enabled the Bank to fix interest rates on its own loans at levels not imposing undue burdens on the borrowing countries concerned. While the Bank still has unused borrowing capacity, its volume of lending has expanded greatly and, if it is to continue to be able to meet legitimate loan requests likely to be submitted to it during the years ahead, it must go to the market for larger amounts of money than



ever before. This would require a broadening of the market for the Bank's bonds and the tapping of sources of capital not yet reached.

During the annual meetings of the Bank and Fund at New Delhi early in October, we should give consideration to ways and means of increasing the effectiveness of these two institutions. As U.S. Governor of the Bank and Fund, I would welcome your guidance with respect to these vital problems of policy. If you believe that certain avenues of action should be explored preparatory to the New Delhi meeting, I would ask the National Advisory Council to proceed promptly with detailed study and arrangements. We would, of course, wish to consult with members of the Congress who are particularly concerned with this subject.

A related matter has recently been under consideration by the Senate, which has adopted a resolution calling upon the National Advisory Council to undertake a study of the feasibility of an International Development Association as an affiliate of the International Bank. The resources of such an organization would be subscribed by the members of the Bank. The Association would finance development projects on the basis of long term loans at reasonably low interest rates repayable in whole or in part in local currencies. In the course of its study, the Council will also explore the possibility that such an affiliate of the Bank might prove to be a means, supplemental to our own national programs, for assuring productive investment of some part of the various local currencies becoming available to the United States through the sale of agricultural surpluses or other programs. It is intended to undertake informal discussions with other members of the Bank with a view to ascertaining their attitude toward an expansion of the Bank's activities along these lines.

I request your guidance as to whether, if the study indicates that the proposal is promising, you would wish to have the subject pursued formally with the governments of the other member countries of the International Bank.

Faithfully yours,

ROBERT B. ANDERSON

THE PRESIDENT  
*The White House*

## U.S. Notes Peiping Radio Threat to Taiwan and Offshore Islands

Press release 501 dated August 28

The Department of State has taken note of the broadcast of the Fukien Command of the Chinese Communist Army, rebroadcast by Peiping Radio late yesterday [August 27], in which Peiping states, "The Chinese People's Liberation Army has determined to liberate Taiwan, a territory of the fatherland, as well as the offshore islands and the landing on Quemoy is imminent." The fact that the offshore islands are related intimately to Taiwan in this Peiping radio threat confirms what Secretary Dulles said in his recent letter to Mr. Morgan, chairman of the House Foreign Affairs Committee.<sup>1</sup> The Secretary pointed out that the ties between the offshore islands and Formosa have become closer, that their interdependence has increased, and that he believed that it would be "highly hazardous" for anyone to assume that if the Chinese Communists were to attempt to change the situation by force and now attack or seek to conquer these islands, that could be a limited operation.

This direct threat and the massive bombardment of Quemoy come as stark reminders of Peiping's militarism and aggressive expansionism and are in direct contrast to Peiping's repeated professions of peaceful intentions.

## President Approves Euratom Cooperation Act of 1958

*Following is the text of a statement made by President Eisenhower on August 28 and released by the White House on August 29.*

I am especially pleased to approve the EURATOM Cooperation Act of 1958, which enables the United States Government to begin active preparation for the joint United States-EURATOM program<sup>2</sup> to develop nuclear power in Europe.

<sup>1</sup> BULLETIN of Sept. 8, 1958, p. 379.

<sup>2</sup> For background, see *ibid*, July 14, 1958, p. 70, and Aug. 11, 1958, p. 247.



EURATOM (the European Atomic Energy Community), which came into being on January 1, 1958, was formed by six of our European friends—Belgium, Germany, France, Luxembourg, Italy and the Netherlands—in order to combine their efforts in developing the peaceful uses of atomic energy. It holds great promise, not only as a means to this end, but also as a means of furthering European unity.

Our joint program, which is EURATOM's first major program, is designed to achieve the construction in Europe of about six nuclear power reactors with a total installed capacity of about one million kilowatts of electricity and to improve power reactor technology through a research program of great scope. This joint program should prove highly beneficial both to Europe and to the United States.

## The Control of Space

*by Loftus E. Becker*  
*Legal Adviser<sup>1</sup>*

It is a privilege to be invited to participate in today's discussion. If our profession has one basic belief, it is a firm conviction in the value of controversy and debate in developing sensible answers to complicated questions. It is difficult to exaggerate the usefulness of opportunities such as this to exchange ideas and test our views in public discussion. Those of us who have the responsibility for advising the Government in these matters are particularly grateful for this occasion to draw upon the wisdom and experience of our colleagues. We will need both wisdom and experience, for the complex legal problems of the developing space age will require hard, and perhaps bold, thinking by us all for their effective solution.

Admiral Ward<sup>2</sup> has pointed out some of the realistic and practical problems which confront and condition the approach of the Government lawyer working in this area. If I may "incorporate by reference" Admiral Ward's remarks into my own, I would like briefly to further develop

this theme in connection with various other problems related to the control of activities in outer space. In doing so I would reemphasize the complexity of the considerations which must be taken into account in the formulation of an official position by the United States or any government on legal issues of this nature.

I would further emphasize that we must always keep in mind that the primary function of law is the resolution of differences and settlement of disputes, actual or anticipated, between human beings. Until we know what these differences or disputes will be and how and between whom they may arise, we are in an "Alice in Wonderland" world. Efforts to declare or establish detailed rules at this time can be at best only fumbling in the dark and at the worst prove actual impediments to the rational development of outer space. Before seeking adequate solutions we must know the nature of the technical problems we are facing, the human conflicts that are to be resolved, and the environment in which solutions will operate. As we come to know these things, we can then proceed step by step on the pragmatic basis of actual experience to build an enduring and effective structure of rules and principles which will adequately reflect real interests and sensible solutions.

<sup>1</sup>Address made before the 81st annual meeting of the American Bar Association at Los Angeles, Calif., on Aug. 26 (press release 484 dated Aug. 22).

<sup>2</sup>Adm. Chester Ward, Judge Advocate General of the Navy.

Before turning to specific issues, let me make several general observations.

The basic pattern of our existing foreign policy with respect to space is no different from that which we have with respect to international relations here on the earth. In conformity with our undertakings under article 1 of the United Nations Charter, it is our purpose to insure that—in space as on the earth—international peace and security are maintained and that international disputes or situations which might lead to a breach of the peace are adjusted or settled in conformity with the principles of justice and international law.

We are in favor of international cooperation in solving international problems. At the same time we are dedicated to the maintenance of the legitimate national interests of the United States, and we hold firm to our inherent right of individual and collective self-defense against armed attack, which is fully recognized under article 51 of the United Nations Charter.

#### **Use of Outer Space for Peaceful Purposes**

The most immediate problem in the field of space foreign policy is how to insure that outer space is used for peaceful purposes only.

You are doubtless well aware that the United States Government has already taken an initiative in this field. The United States recognized the importance of determining now what steps can be taken to assure that missiles and other outer-space vehicles, already in the development stage, will be utilized solely for peaceful purposes. This recognition stemmed from the fact that today these military space instruments are in the early stages of development.

With the passage of time and their continuous growth and refinement, the problem of effective international control becomes more difficult. This point is best illustrated by a similar historical problem. In 1946 international control of the military use of nuclear energy could have been attained with relative ease. Today, as we well know, control of the atom has become a much more vastly complicated and difficult task.

Fully cognizant of this lesson of history, the United States proposed to the United Nations on January 14, 1957,<sup>3</sup> that

... the first step toward the objective of assuring that future developments in outer space would be de-

voted exclusively to peaceful and scientific purposes would be to bring the testing of such objects under international inspection and participation.

This was the first recognition by any nation of the immediate need to deal with this compelling problem.

Since that time we have repeatedly stressed the need—and our willingness—to reach agreement in this vital area.

Today we have pending before the Disarmament Commission of the United Nations a proposal set forth at London in August 1957.<sup>4</sup> It stands as one of five basic principles overwhelmingly endorsed by the United Nations as the basis for continued disarmament negotiations. This proposal calls for nations to cooperate in the establishment of a technical committee to study the design of an inspection system which would effectively cover the field of ballistic missiles and other outer-space objects to assure their development for exclusively scientific and peaceful purposes. Moreover, we have offered to join immediately in such a study, on a multilateral basis, without awaiting the conclusion of negotiations on other substantive proposals.

The Department of State believes that this proposal represents a significant first step toward regulating the use of outer space for military purposes. We intend to continue to emphasize the need to turn this proposal into constructive action.

I do not consider it as correct to say that there is no international law with respect to space outside the atmosphere. Article 51 of the United Nations Charter reserves to each of the members of the United Nations an "inherent right" of individual or collective self-defense against armed attack. It is immaterial whether the attack originates in or passes through outer space in order to reach a member state. In such a case that state has the right to defend itself, a right established under accepted international law, as defined in the charter of the United Nations. I may add that, while domestic law has developed without regard

<sup>3</sup> For background, see BULLETIN of Feb. 11, 1957, p. 225.

<sup>4</sup> For text of Western proposals, see *ibid.*, Sept. 16, 1957, p. 451; for a statement by Ambassador Henry Cabot Lodge in the Disarmament Commission on Sept. 30, 1957, see *ibid.*, Oct. 21, 1957, p. 631; for statements by Ambassador Lodge in the 12th session of the General Assembly, together with texts of U.N. resolutions on disarmament, see *ibid.*, Dec. 16, 1957, p. 961.

to the specific conditions of space flight, there are existing principles of international and domestic law which could be made applicable at this time in the event that a satellite entered the airspace of any sovereign state. I would, therefore, suggest that the page upon which we may ultimately write the law of space is not so frighteningly blank as it is at times supposed.

I would like now to speak briefly on several more specific questions.

#### **Satellite Program for the IGY**

First, a word may be in order on the relation of the International Geophysical Year to the satellite program. I have several times seen it stated that neither we nor other nations have any right to protest or take any action with respect to satellites because of the events relating to the IGY. Now the facts are these:

The arrangements with respect to the IGY were not made on an intergovernmental basis. They were arrangements made between scientific bodies in a private capacity. It is true that certain governments, including the Soviet Union and the United States, announced in advance that during the IGY they intended to place objects in orbit around the earth. And it was also stated in connection with these announcements that the purpose of the satellites would be for scientific investigation. No nation protested these arrangements.

It follows that the only conclusion that can be reached with respect to the arrangements regarding the IGY is that there is an implied agreement that, for the period of the IGY, it is permissible to put into orbit satellites designed for scientific purposes. Once the year is over, rights in this field will have to be determined by whatever agreement may be reached with respect to such objects. Since it appears that the International Council of Scientific Unions may possibly extend the satellite program beyond the close of the IGY, this problem may not yet be upon us. But it is one we must consider for the future.

In this connection I would like to note that in the relatively near future we may have to face up to the question of the legality under international law of so-called reconnaissance satellites which would have the capability of surveying the territory over which they pass and transmit-

ting such information to the launching state. As yet the United States Government has not taken any position on this question—it has not asserted nor denied any national “right of privacy”—and I do not propose to do so at this time. I would point out, however, that it was the Soviet Union that established an iron curtain against the free flow of information. Not only has the policy of the United States been otherwise, but also you will recall that it was President Eisenhower who in 1955 at the summit conference in Geneva made the initial open-skies proposal. We have continued to press this proposal in various forms, and it, too, constitutes a portion of the disarmament proposals approved by the United Nations.

#### **Sovereignty Over Celestial Bodies**

What of the question of sovereignty over celestial bodies, as contrasted with sovereignty over zones of outer space? Under existing rules of international law may any one nation acquire exclusive sovereignty or “ownership” over parts or all of such bodies so as to have the right to exclude or prevent other nations from exploring, occupying, or exploiting them? What will be the legal effect of successful lunar or planetary probes or, perhaps eventually, manned landings?

As a general matter it seems clear that international law at the present time furnishes no clear rules or precedents as regards this problem.

Neither treaties nor international practice apply to it for the obvious reason that there has been neither necessity nor occasion for either to develop. We have, indeed, analogies to draw upon in the international law pertaining to the law of the sea and in rules and precedents for the acquisition of sovereignty over “terra nullius.”

But these rules are far from well defined. They give weight to numerous factors, and they have varied greatly with particular circumstances. Moreover, there are very great risks in attempting to transmute a body of law based upon a determined set of facts on the earth into a body of law with respect to celestial bodies as to which the facts have not been determined and which are in all probability vastly different from anything in our experience. We must be prepared to reject mechanical applications of old and inappropriate rules in favor of new ones, more fitted to these unique environments and activities. And we must recognize that the choice of rules in this area will

represent a major policy decision for each of the various states—a decision outside the competence of any international body as the world is now constituted.

For the near future, even if successful lunar or planetary probes are carried out, it is my personal view that any attempted solution of this problem is premature. In terms of the practical realities of space exploration it is becoming increasingly evident that considerable time will elapse and many problems will have to be solved before man, as opposed to his instrumentalities, can voyage to other planets. The recent discovery of a thus far unplumbed zone of intense radiation on the edge of outer space is but an example of the hard road ahead. We know nothing of the difficulties that may be encountered on celestial territory, the probability or consequences of contact with other forms of life, or the stakes which exclusive control of such bodies may offer. Until human activity on these bodies becomes sufficiently intensive and potentially conflicting as to require legal ordering, decisions on such questions seem to me unnecessary and our energies better spent in other directions. Once again, sensible solutions cannot now be evolved to future problems whose nature and context cannot be accurately foreseen.

Nor do I fear that international law is so inflexible and irrational a mechanism that the limited acts in connection with celestial bodies presently contemplated will freeze the possibility of reasonable legal solution in the future. It is true that such sporadic activities may set the pattern and context out of which solutions will eventually be forged. But we need not fear that they will have any conclusive or binding effect in and of themselves absent the concurrence of other major powers.

For these reasons, by far the most sensible approach to the question of sovereignty over celestial bodies seems to me to be one of "wait and see," similar to that which we are following in the case of the Antarctic. Under such a policy we would neither assert claims to such bodies ourselves nor recognize claims asserted by other nations but would reserve any rights to which our activities might entitle us in the future.

The primary need at this time would appear to be for agreement that the activities of man on the

other celestial bodies shall be peaceful, rather than decision on how sovereignty over them is to be acquired. If we can reach agreement on this point, the question of territorial claims may well be deferred for the present.

#### **Cooperation in Outer-Space Activity**

Let me lastly say a word on the question of international cooperation in outer-space activity. In this area there are indeed challenging and exciting possibilities—ranging from the cooperative construction, launching, and operation of radio relay and weather satellites ultimately to international cooperation in the development of manned space stations and planetary flight. Truly cooperative international programs of this sort could have far-reaching international implications, diminish wasteful and dangerous national rivalries, and lead to inestimable benefit for all mankind. It may be noted that the recently enacted "Space Act of 1958" provides authority for such international cooperation in these fields.<sup>8</sup> Such international cooperation could well provide the basis for the parallel development of a system of legal accommodation.

Ultimately, to foster and guide the cooperative efforts that are possible, it would appear axiomatic that some appropriate international machinery be created. At this time we in the State Department envisage no obstacles—political or technical—which would preclude the establishment of such an international system of cooperation or coordination.

The provision of a system of law to govern human relations in outer space will ultimately be indispensable. This result may come about over a long period of time through the growth of customary practice or the accumulation of agreements dealing with particular subjects. Or the process may ultimately be shortcut by the vesting of authority to develop such principles in international organs. But it may again be emphasized that, before final solutions are attempted, we will need to know more about the exact context and nature of the problems themselves and the activities we are seeking to order. And above all, in developing principles of order for this new and

<sup>8</sup> For a statement by President Eisenhower on the occasion of signing the National Aeronautics and Space Act of 1958, see *ibid.*, Aug. 25, 1958, p. 327.



vast area of activity and its unique problem, we must have a keen awareness of the growing potentialities of outer space and its possible role in the future of man. From the viewpoint of the United States proposed solutions must reflect our policy aims to develop systems of institutional adjustment conducive to long-range objectives. These objectives include the demilitarization of space and its devotion to peaceful purposes, the encouragement of scientific research and the rapid achievement of practical benefits from such science to increase human welfare, and the encouragement of international cooperation and institutions of world community. If we pursue these goals conscientiously, we may indeed look forward to a bright and most exciting future.

## **U.S. Submits Navy Neptune Case to International Court of Justice**

*Following is a Department announcement concerning the instituting of proceedings against the U.S.S.R., together with the text of the U.S. Government's application to the International Court of Justice and text of a Soviet note of October 10, 1957.*

### **DEPARTMENT ANNOUNCEMENT**

Press release 491 dated August 23

Loftus E. Becker, Legal Adviser of the State Department, filed on August 22, on behalf of the United States, in his capacity as the agent of the United States, an application instituting proceedings against the Union of Soviet Socialist Republics on account of the destruction on September 4, 1954, of the Navy Neptune plane in the international airspace over the Sea of Japan in the area of Vladivostok. These proceedings were instituted because the Soviet Government had refused to agree to submit the case to the International Court of Justice by special agreement, although so requested by the U.S. Government.

It will be recalled that this incident was the subject of a Security Council debate on September 10, 1954;<sup>1</sup> that thereafter the State Department, after thorough investigation of the facts and the

applicable law, filed a diplomatic claim with the Soviet Government for compensation.<sup>2</sup> The Soviet Government, however, denied liability.

The present proceedings have been instituted in line with the U.S. Government's policy to resort to the forces of international law and order to obtain justice and to seek to prevent a recurrence of these tragic events in which not only American aircraft but American lives are imperiled or lost by irresponsible Soviet shooting. It is hoped that the Soviet Government will, upon the presentation of the application to the International Court of Justice, accede to the jurisdiction of that Court. But in any case, the institution of the present proceedings is another landmark in the U.S. Government's efforts to provide peaceful solutions to these problems.

### **TEXT OF APPLICATION**

JULY 25, 1958

SIR: 1. This is a written application, in accordance with the Statute and Rules of the Court, submitted by the Government of the United States of America instituting proceedings against the Government of the Union of Soviet Socialist Republics on account of certain willful acts committed by military aircraft of the Soviet Government on September 4, 1954, in the international air space over the Sea of Japan against a United States Navy P2-V-type aircraft, commonly known as a Neptune type, and against its crew.

The subject of the dispute and a succinct statement of the facts and the grounds upon which the claim of the Government of the United States of America is based are adequately set forth in a note delivered to the Soviet Government on October 12, 1956. A copy of the note is attached to this application as an annex. The Soviet Government has asserted its contentions of fact and of law with reference to the United States Government's claim in other diplomatic correspondence on this subject, most recently in a note of January 21, 1957,<sup>3</sup> a copy of which is also attached to this application as an annex.

2. The United States Government notes that the present dispute concerns matters of the character specified in Article 36 (2) of the Statute of

<sup>1</sup>For text of U.S. note of Oct. 12, 1956, see *ibid.*, Oct. 29, 1956, p. 677.

<sup>2</sup>For text of Soviet note and U.S. reply of Aug. 19, 1957, see *ibid.*, Sept. 16, 1957, p. 471.

<sup>3</sup>For a statement by Ambassador Henry Cabot Lodge, see BULLETIN of Sept. 20, 1954, p. 417.



the Court, including subdivisions (a) through (d). As will be seen from the annexes, the legal dispute of the United States Government with the Soviet Government involves serious questions of international law. Among them are the validity of the Soviet Government's claim that it may, under international law, unilaterally extend its territorial limits in the international air space over the waters of the Sea of Japan in excess of three nautical miles from the mean low water mark of the shoreline of the Soviet-held land masses in this area. In addition there are involved the scope and application of international obligations relating to the flight of military aircraft claimed to be intruding and the interception of such aircraft and attack upon them by military aircraft of the government making such claim; the nature of the rights, prerogatives and powers of the United States Government to conduct flights of military aircraft in the international air space over the Sea of Japan; together with other issues of law and of fact which, if resolved in favor of the United States Government, would prove breaches of international obligation by the Soviet Government; and the nature and extent of reparations to be made by the Soviet Government for all these breaches.

The United States Government, in filing this application to the Court, submits to the Court's jurisdiction for the purposes of this case. The Soviet Government appears not to have filed any declaration with the Court thus far, although it was invited to do so by the United States Government in note 176 of August 19, 1957, a copy of which is also annexed hereto. The Soviet Government in a note dated October 10, 1957, which is made an annex to the present application, rejected the United States Government's invitation. The Soviet Government is, however, qualified to submit to the jurisdiction of the Court in this matter and may, upon notification of this application by the Registrar, in accordance with the rules of the Court, take the necessary steps to enable the Court's jurisdiction over both parties to the dispute to be confirmed.

The United States Government thus founds the jurisdiction of this Court on the foregoing considerations and on Article 36 (1) of the Statute.

3. The claim of the Government of the United States of America is, briefly, that the Government of the Union of Soviet Socialist Republics, on Sep-

tember 4, 1954, willfully and unlawfully caused fighter aircraft to penetrate into the international air space over the Sea of Japan and without any provocation to attack and cause the destruction of a Neptune type aircraft of the United States Naval Air Arm, then lawfully and peacefully flying in that air space; that, of the crew, one member was trapped in the wreckage of the Neptune and lost his life, and all the others, though ultimately rescued by search aircraft of the United States Government, suffered injuries and shock. The damages suffered by the United States Government for which the Soviet Government is liable are specified in the annexed note.

In diplomatic correspondence with reference to the matter, including the Soviet Government's note of January 21, 1957, all of which correspondence constitutes negotiations that must now be determined to have been exhausted, the Soviet Government has asserted a version of the facts and of the law contrary to that asserted by the United States Government.

A dispute is therefore presented which is appropriate for hearing and decision by this Court in accordance with the Statute and the Rules.

The United States Government, in further pleadings herein, will more fully set forth the issues of fact and the issues of law in this dispute. It will request that the Court find that the Soviet Government is liable to the United States Government for the damages caused; that the Court award damages in favor of the United States Government against the Soviet Government in the sum of \$1,355,650.52 with interest, and such other reparation and redress as the Court may deem to be fit and proper; and that the Court make all other orders and awards, including an award of costs, to effectuate its determination.

4. The undersigned has been appointed by the Government of the United States of America as its Agent for the purpose of this application and all proceedings thereon.

Very truly yours,

LOFTUS E. BECKER  
*The Agent for the  
Government of the  
United States of America*

THE REGISTRAR OF THE  
INTERNATIONAL COURT OF JUSTICE,  
*The Hague.*

Annexes:

1. Note from the United States Government to the Soviet Government of October 12, 1956.
2. Note from the Soviet Government to the United States Government of January 21, 1957.
3. Note from the United States Government to the Soviet Government of August 19, 1957.
4. Note from the Soviet Government to the United States Government of October 10, 1957.

## SOVIET NOTE OF OCTOBER 10, 1957

No. 61/OSA

In connection with Note No. 176 of the Government of the United States of America dated August 19, 1957, the Government of the Union of Soviet Socialist Republics considers it necessary to state the following:

In its notes of September 5<sup>4</sup> and 8,<sup>5</sup> 1954 and in the note of January 21, 1957, the Soviet Government has already set down on the basis of factual information the conditions of the violation on September 4, 1954 of the state border of the USSR in the region of Cape Ostrovnoi by an American airplane of the type "Neptune".

From the above-mentioned notes of the Soviet Government it is clear that the American airplane violated the state border of the USSR in the region of Cape Ostrovnoi on September 4, 1954 and without provocation opened fire on Soviet interceptors guarding the state border of the USSR.

Taking into consideration that the facts of the violation by the American airplane of the state border of the USSR and of its firing upon Soviet airplanes fulfilling the function of defense of the state border of the USSR are exactly established and that, in view of this, responsibility for the above-mentioned incident lies fully on the American side, the Soviet Government does not see any basis for turning this question over for examination by the international court as is proposed in the note of the Government of the USA of August 19, 1957.

The Soviet Government confirms its notes of September 5 and 8, 1954 and of January 21, 1957.

## Americans Advised Against Travel in Certain Areas of Austria

Press release 492 dated August 25

The Austrian Ministry of Interior has recently made the following announcement:

Shots from beyond the border, mine explosions, electric barbed-wire fences and possibly even abductions threaten

<sup>4</sup> *Ibid.*, Sept. 13, 1954, p. 365.

<sup>5</sup> Not printed.

anyone in the immediate vicinity of the border with Hungary or Czechoslovakia. The Austrian authorities cannot guarantee protection against these dangers but must warn urgently against approaching the immediate vicinity of the border, and bathing or fishing in border rivers.

Those who ignore this serious warning expose themselves to dangers for which the Austrian authorities must disclaim all responsibility.

The Department of State wishes to call this announcement to the attention of American citizens traveling in or planning to travel to Austria and urge them to exercise every precaution when journeying in the immediate area of Austria's eastern borders. They should, if at all possible, avoid travel into these areas except for the purpose of entering a neighboring country at an approved border crossing, in which case they should have a valid passport and visa authorizing entry into such country. Travelers are further reminded that in such areas certain actions, such as the taking of photographs in near proximity to the frontier, may be misinterpreted by border guards of countries on Austria's eastern borders and could result in unfortunate incidents.

The Department of State wishes to emphasize that the conditions prevailing in these immediate border areas do not apply to the rest of the Republic of Austria where general travel by American citizens is considered to be entirely safe and proper.

## New Member of Advisory Commission on Educational Exchange Appointed

The Department of State announced on August 28 (press release 502) the recess appointment by the President of Franklin David Murphy, chancellor of the University of Kansas, as a member of the Department's Advisory Commission on Educational Exchange.

Other members of the Advisory Commission on Educational Exchange are R. H. Fitzgerald, *chairman*, chancellor emeritus, University of Pittsburgh; Arthur H. Edens, president, Duke University; Laird Bell, attorney, Chicago, Ill.; and Mrs. Anna L. R. Hawkes, president, American Association of University Women.

## Progress Report on the Agricultural Trade Development and Assistance Act

### EIGHTH SEMIANNUAL REPORT ON ACTIVITIES UNDER PUBLIC LAW 480 JANUARY 1-JUNE 30, 1958<sup>1</sup>

*To the Congress of the United States:*

I am transmitting herewith the eighth semiannual report on activities carried on under Public Law 480, 83d Congress, as amended, outlining operations under the act during the period January 1 through June 30, 1958.

DWIGHT D. EISENHOWER

THE WHITE HOUSE, *August 5, 1958.*

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THE WHITE HOUSE,  
*Washington, July 31, 1958.*

Memorandum for the President:

As Chairman, Interagency Committee on Agricultural Surplus Disposal, established by you on September 9, 1954, I am pleased to submit this eighth semiannual report on activities carried on under Public Law 480. I believe it to be in form suitable for your transmittal to the Congress as required by section 108 of the Act.

I wish I could say that as a result of operations under this authority our surpluses were declining or that they could be expected to reach more manageable proportions in the near term. I am, however, persuaded otherwise.

Barring eventualities not to be anticipated, the probability is that our surpluses will continue to be substantially above any normal or desirable carry-over for at least the next five years, even if

Public Law 480 operations continue at the current rate for that period.

In the past four years of such operations we have tended to look on the problem of our surpluses as a temporary one and thus to make decisions concerning them on a year-to-year basis. If my conclusion is justifiable, we would do well to base our thinking and planning on longer range considerations in the period immediately ahead.

CLARENCE FRANCIS

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#### Introduction

This report deals with activities under the several Public Law 480 programs during the second 6 months of the fiscal year 1958. On June 30, 1958, Public Law 477 amended the act by adding new subsection 104 (k) to authorize the use of foreign currencies to finance scientific activities. Under the provision, foreign currencies can be used to collect, collate, translate, abstract, and disseminate scientific and technological information and to conduct and support scientific activities overseas.

The authority under titles I and II of Public Law 480, as amended, expired June 30, 1958. Another extension of these titles has been recommended.

#### SUMMARY

During the period January-June 1958, programming of surplus agricultural commodities under the three titles of the act totaled \$985 million, bringing to \$6,752.2 million the total value of programs since the beginning of operations under the act in July 1954.

<sup>1</sup> H. Doc. 431, 85th Cong., 2d sess.; transmitted on Aug. 5. For texts of the first seven semiannual reports, see BULLETIN of Jan. 31, 1955, p. 200; Aug. 1, 1955, p. 197; Jan. 23, 1956, p. 130; Aug. 6, 1956, p. 230; Feb. 4, 1957, p. 183; Aug. 12, 1957, p. 281; and Mar. 24, 1958, p. 476.

Since the beginning of the program, agreements for the sale of agricultural commodities for foreign currency under title I total \$4,004.4 million estimated CCC cost <sup>2</sup> (\$2,842.3 million at export market value), including \$713.2 million (\$543.3 million at export market value) in agreements signed during the period covered by this report.

Shipments under title I since the beginning of the program total about \$2,065 million at export market value, of which approximately \$400 million was shipped during the January-June 1958 period.

Cumulative authorizations for emergency relief and other assistance abroad under title II of the act totaled \$461.5 million at CCC cost, of which \$77.2 million was authorized during this period. Cumulative donations for foreign and domestic relief through nonprofit voluntary agencies and intergovernmental organizations under title III of the act amounted to \$1,355 million at CCC cost, of which \$139 million was donated during this period. Cumulative barter contracts entered into under title III amounted to \$931.3 million at export market value, of which \$55.6 million represents contracts entered into during this period. Although the figures cited for the different types of programs are not comparable, they indicate the volume of commodities being moved or committed under these programs.

#### Title I. Foreign Currency Sales

##### AGREEMENTS SIGNED

Twenty-eight agreements, or supplements to agreements, involving a CCC cost of approximately \$713.2 million, were entered into with 20 countries during the period January-June 1958. The commodity composition, export market value, and CCC cost of these agreements are shown in table I.

<sup>2</sup> As used in this report, CCC cost represents the cost of commodities to the Commodity Credit Corporation; including investment, processing, handling, and other costs. Export market value reflects the price at which these commodities are sold by U.S. exporters under the program. The export market value figures are less than the CCC cost for those commodities for which special export programs have been developed for dollar as well as foreign currency sales to meet competition in international trade. Because of procurement shortfall and reimbursements to CCC from sales of foreign currencies, the total cost to CCC will not exceed \$4,000 million under transactions through June 30, 1958. [Footnote in original.]

TABLE I.—Commodity composition of agreements signed, January-June 1958

Country	Unit	Approximate quantity	Export market value	Estimated CCC cost
			Million dollars	Million dollars
Wheat and wheat flour	Bushel	<sup>1</sup> 89,833,000	150.6	238.3
Feed grains	do	<sup>2</sup> 51,523,000	56.0	98.0
Rice	Hundred weight	1,784,000	11.8	20.2
Cotton	Bale	<sup>3</sup> 598,400	118.5	143.4
Tobacco	Pound	32,650	27.8	27.8
Dairy products	do	53,000,000	7.5	14.4
Fats and oils	do	670,560,000	107.9	107.9
Fruits	do	83,650,000	9.3	9.3
Poultry	do	1,429,000	.5	.5
Total commodities			489.9	659.8
Ocean transportation			53.4	53.4
Total, including ocean transportation			543.3	713.2

<sup>1</sup> Wheat and wheat equivalent of flour.

<sup>2</sup> Corn	11,945,000
Oats	878,000
Barley	24,478,000
Rye	3,937,000
Grain sorghums	10,285,000

Total 51,523,000

<sup>3</sup> Includes 20,000 bales long-staple cotton.

One hundred and thirty-five agreements, or supplements to agreements, with a total CCC cost of \$4,004.4 million, have been entered into with 37 countries since the inception of the program in July 1954. The commodity composition, export market value, and CCC cost of these agreements are shown in table II.

TABLE II.—Commodity composition of all agreements signed through June 30, 1958

Commodity	Unit	Approximate quantity	Export market value	Estimated CCC cost
			Million dollars	Million dollars
Wheat and wheat flour	Bushel	<sup>1</sup> 616,118,000	1,028.0	1,732.1
Feed grains	do	<sup>2</sup> 161,870,000	192.8	335.6
Rice	Hundred weight	28,353,000	181.8	288.8
Cotton	Bale	<sup>3</sup> 3,234,000	509.9	681.4
Cotton linters	do	300	.3	.3
Meat products	Pound	125,675,000	39.2	39.2
Tobacco	do	202,288,000	142.3	142.3
Dairy products	do	222,175,000	43.8	74.2
Fats and oils	do	2,436,633,000	384.7	391.0
Poultry	do	5,971,000	1.7	1.7
Dry edible beans	Hundred weight	48,000	.4	.4
Fruits and vegetables	Pound	188,796,000	15.2	15.2
Seeds	Hundred weight	10,000	.4	.4
Total			2,540.5	3,702.6
Ocean transportation			301.8	301.8
Total, including ocean transportation			2,842.3	4,004.4

<sup>1</sup> Wheat and wheat equivalent of flour.

<sup>2</sup> Corn	68,300,000
Oats	7,279,000
Barley	60,819,000
Rye	3,937,000
Grain sorghums	21,535,000

Total 161,870,000

<sup>3</sup> Includes 20,000 extra long-staple cotton.



## SHIPMENTS

Title I shipments since the beginning of the program totaled approximately \$2,065 million at export market value through June 30, 1958, of which about \$400 million was shipped during the reporting period. The export market value of commodities programed under all agreements signed through June 30, 1958, was \$2,540.5 million (excluding ocean transportation costs).

Shipments during the reporting period increased substantially over shipments made during the June-December 1957 period. Total title I shipments for the fiscal year 1958, however, dropped sharply from the high levels reached in the fiscal year 1957. The drop in shipments resulted from reduced programing during calendar year 1957.

## USUAL MARKETINGS

In accordance with the provisions of title I, appropriate assurances have been obtained from participating governments that reasonable safeguards will be taken that sales of agricultural commodities for foreign currencies shall not displace U.S. usual marketing or be unduly disruptive of world market prices. Also, sales for foreign currencies under title I generally have been made at prices comparable to those prevailing in the market for export sales for dollars.

## ROLE OF PUBLIC LAW 480 PROGRAMS

Total United States agricultural exports for the fiscal year ending June 30, 1958, are estimated at about \$4 billion, compared with the record high of \$4.7 billion attained in the fiscal year 1957, \$3.5 billion in the fiscal year 1956, and less than \$3.2 billion in the fiscal year 1955.

Disposals under Public Law 480 have been a major factor in increasing agricultural exports; exports under this law have accounted for 26 percent of total agricultural exports for the 4-year period it has been in operation as shown in table III.

Public Law 480 shipments have represented an even more significant proportion of total U.S. exports of certain commodities as shown in table IV.

## ACCOUNTING FOR TITLE I COSTS

The CCC cost of financing the exportation of surplus agricultural commodities for foreign currencies, included in agreements signed through

TABLE III.—Exports of United States farm products under Public Law 480 compared with total exports of United States farm products by fiscal years

Programs	1954-55	1955-56	1956-57	1957-58 <sup>1</sup>	Total, 1954-58 <sup>1</sup>
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Public Law 480:					
Title I .....	73	440	902	650	2,065
Title II .....	83	91	88	92	354
Title III:					
Barter .....	125	290	401	99	924
Donations .....	126	184	162	175	647
Total .....	407	1,014	1,553	1,016	3,990
Other exports .....	2,737	2,479	3,171	2,984	11,371
Total exports .....	3,144	3,493	4,724	4,000	15,361
Total Public Law 480 exports as percent of total exports .....	13	29	33	25	26

<sup>1</sup> Partly estimated.

TABLE IV.—Exports under Public Law 480 compared with total United States exports of specified commodities, fiscal year 1958<sup>1</sup>

Programs	Wheat <sup>2</sup>	Corn <sup>3</sup>	Rice	Cotton	Cottonseed and soybean oil
	Million bushels	Million bushels	Million hundred-weight	Thousand bales	Million pounds
Public Law 480:					
Title I .....	175	24	5.0	860	615
Title II .....	15	6	.5	27	-----
Title III:					
Barter .....	10	12	-----	4,443	-----
Donations .....	18	10	.6	-----	-----
Total .....	218	52	6.1	1,330	515
Other exports .....	188	143	5.9	4,370	460
Total exports .....	406	195	12.0	5,700	975
Total Public Law 480 exports as percent of total exports .....	54	27	51	23	53

<sup>1</sup> Partly estimated.

<sup>2</sup> Wheat and wheat equivalent of flour.

<sup>3</sup> Corn and corn equivalent of corn meal.

<sup>4</sup> Basis: invoices to contractors during period.

June 30, 1958, is estimated at \$3,702.6 million. This includes the export value of shipments from commercial stocks, the CCC acquisition cost of CCC-owned commodities at domestic support prices, cost of storage, processing, and inland transportation, and other costs of financing shipments. In addition, CCC is paying ocean transportation costs of \$301.8 million for commodities required to be shipped on privately owned U.S.-flag commercial vessels. The total estimated cumulative cost is \$4,004.4 million. (Because of procurement shortfall and reimbursements to CCC from sales of foreign currencies, the total cost to CCC will not exceed \$4,000 million under transactions through June 30, 1958.)

The U.S. Government is receiving foreign currencies in payment for the export market value of



these commodities and the ocean transportation financed. The export market value of these commodities is \$2,540.5 million, which is \$1,162.1 million less than their estimated cost to CCC.

CCC is reimbursed for program costs each year by appropriation. Appropriations of \$1,995.3 million have been made to reimburse CCC for program costs as follows: fiscal year 1955, \$67.5 million; fiscal year 1956, \$637 million; and fiscal year 1957, \$1,290.8 million.

#### **PROGRAMS FINANCED WITH PUBLIC LAW 480 FOREIGN CURRENCIES**

Public Law 480 foreign currencies have been used to support a variety of programs authorized under the act. Certain of these foreign currency uses require reimbursement from appropriated dollars; others do not require such reimbursement.

*Reimbursable uses.*—Section 1415 of the Supplemental Appropriations Act of 1953 provides that certain foreign currency uses are chargeable to agency appropriations, the dollar proceeds to be credited to the CCC. This provision applies to the payment of U.S. obligations under section 104 (f) and to grants to foreign countries under sections 104 (d) and (e). The authority to waive this reimbursement requirement is vested in the President who has delegated the authority to the Budget Director.

Use of foreign currencies for the construction of military family housing abroad as authorized by Public Law 161, 84th Congress, supplements the current Defense Department construction appropriation. On the other hand, over the years, dollar reimbursement of the capital cost of the housing will be made to CCC out of appropriations for the quarters allowances of the personnel occupying the housing to the extent that the facilities are actually used. It is estimated that 15 to 20 years will be needed to effect full reimbursement without interest, assuming full occupancy and normal maintenance costs. Through June 30, 1958, \$132.7 million in foreign currencies had been earmarked for military family housing.

*Nonreimbursable uses.*—A. Public Law 480 authorizes nine uses of sales proceeds which permit an expansion of certain U.S. agency programs beyond current appropriations without reimbursement by the agency concerned. These non-reimbursable uses are pursuant to section 104 (a), (b), (d) when authorized, (f) for travel expenses

of congressional committees, (h), (i), two uses authorized by (j), and (k).

B. Economic development loans to the purchasing country are provided under section 104 (g) of the act. Section 104 (c) provides for military aid for the common defense. Section 104 (e) provides for loans to certain private investors and grants for economic development when waiver has been granted. The amount of \$1,914.2 million equivalent in foreign currencies is to be used for these purposes under agreements signed from the beginning of the program through June 30, 1958.

#### **ADMINISTRATION OF FOREIGN CURRENCIES**

Title I sales agreements include the terms for the deposit and use of currency proceeds. The amounts of proceeds to be used for loans to the purchasing government under section 104 (g) and to private enterprise under section 104 (e) and the amounts for assistance to U.S.-sponsored schools and binational centers under section 104 (j) are stipulated in the agreement. The amounts for other uses authorized by section 104 of the act may be shown in specific amounts for each use or as a combined total. The Treasury Department establishes and administers regulations concerning the custody, deposit, and sale of the currencies. As shipments are made, the foreign currencies received from these transactions are deposited to the account of the U.S. disbursing officer in the embassies. In accordance with the allocation and apportionment actions of the Bureau of the Budget, currencies are released by the Treasury Department to the U.S. agencies responsible for the various programs to be carried out under the sales agreements.

Agencies desiring to use currencies except those stipulated in the agreement for loans under sections 104 (e) and (g) apply to the Bureau for an allocation authorizing the use of the currency for the proposed program or project. Applications are reviewed by the Bureau in the light of discussion of currency use held at the time of negotiation of the sales agreement, analysis of the requesting agency's program requirements in relation to available appropriated funds, and other possible competing uses for the currencies.

Agencies, however, must await apportionment of currencies by the Bureau of the Budget before incurring actual obligations against such allocations. The apportionment process is used by

the Bureau of the Budget to insure that total obligations for all programs do not exceed actual currency availabilities, to permit some programs to go forward before receipt of total sales proceeds, and to permit further program review in the event of any changes in circumstances subsequent to the time of allocation.

The responsibility for administering the expenditure of foreign currencies is assigned by Executive order to various agencies as follows:

Authority	Currency use	Responsible agency
Sec. 104:		
(a).....	Agricultural market development.	Department of Agriculture
(b).....	Supplemental stockpile.....	Office of Defense Mobilization
(c).....	Common defense.....	International Cooperation Administration and Defense Department.
(d).....	Purchase of goods for other countries.	ICA
(e).....	Grants for economic development.	ICA
(e).....	Loans to private enterprise.....	Export-Import Bank of Washington
(f).....	Payment of U.S. obligations.....	Any agency
(g).....	Loans to foreign governments.	ICA
(h).....	International educational exchange.	Department of State
(i).....	Translation of books and periodicals.	U. S. Information Agency
(j).....	American-sponsored schools and centers.	State and USIA
(k).....	Scientific activities.....	Not yet assigned

The following table V shows the status of foreign currencies by country.

Under agreements entered into during the January-June 1958 period the dollar equivalent of planned foreign currency uses for the purposes specified in section 104 of the act are shown in table VI.

*Agricultural market development.*—Section 104 (a): This provision established legislative authority for export market development in other countries on a mutually benefiting basis. A portion of the foreign currencies generated by title I sales is set aside to maintain or expand present export markets or to develop new markets abroad for U.S. agricultural commodities.

Increased emphasis has been placed upon convertibility of section 104 (a) funds in negotiating title I sales agreements. Where feasible and advantageous, efforts are being made to secure agreement of the purchasing country to conversion of a portion of the section 104 (a) funds to currencies of other countries in which there are market development opportunities.

Market development activities carried out to date include cooperator, Department of Agricul-

TABLE V.—Status of foreign currencies under Title I, Public Law 480

Country	Agreement amounts through June 30, 1958	Allocations by Budget Bureau through Mar. 31, 1958 <sup>1</sup>	Collections through Mar. 31, 1958	Disbursements by agencies through Mar. 31, 1958
	Million dollars equivalent <sup>2</sup>	Million dollars equivalent <sup>3</sup>	Million dollars equivalent <sup>3</sup>	Million dollars equivalent <sup>3</sup>
Argentina.....	31.1	30.7	29.4	5.6
Austria.....	42.9	39.8	30.8	11.6
Bolivia.....	6.8	5.7		
Brazil.....	179.9	163.7	68.2	37.3
Burma.....	40.7	20.1	21.4	1.2
Ceylon.....	6.3			
Chile.....	39.6	37.2	38.8	6.0
China (Taiwan).....	21.9	9.6	9.3	4.8
Colombia.....	38.7	35.0	22.0	11.1
Ecuador.....	9.9	7.7	6.7	4.3
Egypt.....	19.6	18.6	19.2	3.5
Finland.....	36.0	37.7	25.6	23.5
France.....	29.7	7.7	2.0	.5
Germany.....	1.2	1.1	1.2	.3
Greece.....	66.0	59.6	50.9	36.3
Iceland.....	5.9	2.4	2.5	1.5
India.....	419.4	254.0	288.5	7.2
Indonesia.....	96.7	81.8	87.2	.9
Iran.....	12.4	11.9	12.4	7.1
Israel.....	92.6	68.5	70.3	37.7
Italy.....	152.9	134.2	108.1	40.0
Japan.....	150.8	137.5	148.2	123.2
Korea.....	132.0	81.7	80.9	72.4
Mexico.....	28.2	22.1	8.1	
Netherlands.....	.3	.2	.3	
Pakistan.....	186.1	132.6	135.3	35.0
Paraguay.....	3.0	3.0	2.9	2.3
Peru.....	25.2	16.1	12.2	9.3
Philippines.....	14.4	7.7	6.7	1.7
Poland.....	138.0	2.6	62.6	
Portugal.....	7.1	5.4	7.1	5.0
Spain.....	283.1	199.2	179.6	31.1
Thailand.....	4.6	4.0	4.1	1.5
Turkey.....	162.6	132.1	104.6	14.5
United Kingdom.....	48.2	30.9	34.5	13.8
Viet-Nam.....	6.0			
Yugoslavia.....	294.6	196.1	224.8	.3
Total.....	2,834.4	1,998.2	1,905.4	550.5

<sup>1</sup> Includes amounts specified in the agreements, to be used for loans under sections 104(e) and (g), not subject to allocation.

<sup>2</sup> Calculated at the collection rates of exchange.

<sup>3</sup> Loan and grant disbursements calculated at collection rates; other disbursements calculated at Treasury selling rates.

TABLE VI.—Planned uses of foreign currency under agreements signed during January-June 1958

	Million dollar equivalent	Percent of total
Agricultural market development (sec. 104 (a)) <sup>1</sup> .....	7.8	1.4
Purchases of strategic material (sec. 104 (b)) <sup>1</sup> .....		
Common defense (sec. 104 (c)).....	51.0	9.4
Purchase of goods for other countries (sec. 104 (d)) <sup>1</sup> .....	3.8	.7
Grants for balanced economic development and trade among nations (sec. 104 (e)).....	3.9	.7
Loans to private enterprise (sec. 104 (e)).....	52.7	9.7
Payment of United States obligations (sec. 104 (f)) <sup>1</sup> .....	221.1	40.8
Loans to foreign governments (sec. 104 (g)).....	190.4	35.1
International educational exchange (sec. 104 (h)) <sup>1</sup> .....	1.8	.3
Translation, publication, and distribution of books and periodicals (sec. 104 (i)) <sup>1</sup> .....	1.4	.3
Assistance to American-sponsored schools, libraries and community centers (sec. 104 (j)).....	8.6	1.6
Total.....	542.5	100.0

<sup>1</sup> In order to provide flexibility in the use of funds, many agreements provide that a specified amount of local currency proceeds may be used under section 104 (a), (b), (f), (h), and (i). In some instances, possible uses under section 104 (d) are also included in this category. Therefore, estimates based on the best information now available are indicated above under subsections (a), (b), (h), and (i). Balances not otherwise distributed are included under subsection (f). This distribution is subject to revision when allocations have been completed.

<sup>2</sup> Includes ocean transportation financed by CCC.

ture, and trade fair projects. Cooperator projects to be carried out by U.S. trade and agricultural groups have been emphasized, and such projects have constituted the major effort under this program. However, two new types of activities have been developed in the reporting period which are expected to increase activity in the noncooperator area. First, the Agricultural Research Service has instituted a program of agricultural utilization research in foreign scientific institutions. This research, which may be fundamental or applied in nature, will be activated by means of grants or contracts. These studies are expected to lead to development of new uses for U.S. agricultural commodities and to aid in the expansion of export markets. During the reporting period, the program was initiated with three grants for work in Israel and eight grants for work in the United Kingdom were negotiated. Second, comprehensive economic studies are being contracted for by the Foreign Agricultural Service in countries which are important markets for U.S. agricultural commodities to determine long-range market development potentialities. Such studies will serve as program guides to market development.

Market development projects may be initiated by trade groups, private research organizations, institutions such as land-grant colleges, international organizations, or by the Department of Agriculture. Project proposals are evaluated on the basis of probable success in terms of the contribution to increased U.S. exports; long-range effects on total U.S. agricultural exports; the importance of the commodities involved to U.S. agriculture; the extent to which the proposal is in harmony with foreign trade policy and international obligations; and where trade groups are involved, the extent to which such groups represent commodity interests; and proposed financing.

Approved projects are carried out within the terms of market development agreements where trade groups are involved or in accordance with project statements where U.S. Department of Agriculture projects are concerned. Reports on project results serve cooperating trade groups directly and are made available to other interested trade groups.

During the reporting period, 64 new market development projects were put into operation, including trade fair activities. This brings the to-

tal number of projects to 227 since the market development program began in 1955. Foreign currencies obligated or authorized for projects approved in the January-June 1958 period totaled approximately \$3.5 million equivalent, bringing the total for market development activities to about \$12.6 million equivalent since the program began, including general operating costs and trade fairs. Cooperating trade and agricultural groups have contributed over \$3.7 million in funds, personnel, and services to date, bringing the overall program total to \$16.3 million (table VII).

TABLE VII.—Summary of section 104 (a) export market development projects for specified periods<sup>1</sup>

Periods	Number of projects <sup>2</sup>	USDA contribution <sup>3</sup>	Cooperator contribution	Total
		Thousand dollars	Thousand dollars	Thousand dollars
Fiscal year 1956.....	17	1,426	165	1,591
Fiscal year 1957.....	94	5,300	2,271	7,571
July-December 1957.....	52	2,385	365	2,750
January-June 1958.....	64	3,543	913	4,456
Total.....	227	12,654	3,714	16,368

<sup>1</sup> Subject to adjustment upon final accounting.

<sup>2</sup> Cooperator, trade fair, and Department of Agriculture projects.

<sup>3</sup> Approximate dollar equivalent of foreign currencies when projects approved.

Project activities cover virtually all U.S. farm commodities including cotton; dairy products; fruits; grain and grain products, including rice and beans; livestock and livestock products; poultry and poultry products; seeds; soybeans and soybean products; and tobacco. In addition to trade fairs, types of market development activities include market surveys; promotion of better nutrition; demonstrations; exchange of trade personnel; commodity or product promotion, including advertising; and other market development techniques designed to expand export markets for United States agricultural commodities. Market development activities have been undertaken in 33 countries and with 46 trade and agricultural groups under this program to date.

*Trade fairs.*—During the reporting period, agricultural trade promotion exhibits were presented at three international fairs. This brings the number since the enactment of Public Law 480 to 23 international exhibits, reaching about 13.5 million people in 13 countries.

Exhibits of United States agricultural commodities in these fairs are organized through

trade groups. Generally, a participating industry or trade group provides exhibit ideas, technical personnel, display materials, and, in some cases, commodities for use as samples. The United States Government organizes and manages the exhibits; rents space; arranges for design, construction, and operation of the exhibits; provides transportation of exhibit material and travel expenses and per diem of industrial technicians and commodity specialists participating in the cooperative arrangement.

One of the major agricultural exhibits during the first half of 1958 was the Japan international trade fair at Osaka where the United States cooperated with food trade groups in demonstrating the availability, quality, and uses of several U.S. agricultural commodities: wheat, tobacco, soybeans, tallow, and cotton. Participation in this fair enabled the United States to display its agricultural commodities to Far East consumers. Luncheons and conferences promoted increased trade contacts among businessmen attending the fair. The Department of Agriculture cooperated with the Office of International Trade Fairs, Department of Commerce, in demonstrating and exhibiting cotton textile processing at Poznan, Poland, during the reporting period. The Department's participation in this exhibit was designed to develop a future market for U.S. cotton in Poland by demonstrating the superior performance and quality of U.S. cotton. Demonstrations were arranged to show the Polish mills American techniques and methods of utilizing American cotton on American-made machinery.

Another exhibit during the period occurred at Varese, Italy, at the National Poultry Meat Fair. The exhibit was designed to develop markets in Italy and other European countries for U.S. feed concentrates, of which soybean meal is the principal ingredient, and feed grains. The demonstration informed poultry raisers of the area how more meat and more eggs can be obtained in less time and at less cost through the use of feeds which are available for export from the United States.

The distribution of samples of U.S. farm products is a feature often used in market promotion exhibits. Some of the product samples include recombined milk, ice cream and cheese, and bread and pastry from U.S. wheat and flour. The sampling process affords many people their first

opportunity to see and taste American farm products.

*Purchase of strategic materials.*—Section 104(b): No foreign currency was earmarked for this purpose under title I agreements entered into during the reporting period. The total amount of foreign currency earmarked through June 30, 1958, for the purchase of strategic materials remains at \$2 million.

*Common defense.*—Section 104(c): This section of the act provides for the use of foreign currency for the procurement of military equipment, materials, facilities, and services for the common defense. During the reporting period \$51.0 million equivalent was earmarked for this purpose, bringing the total amount planned for common defense to \$300.2 million. Table VIII summarizes the status of this program.

TABLE VIII.—*Procurement of military equipment, materials, facilities, and services for the common defense since beginning of program*

Country	Amount planned through June 30, 1958	Amount allocated by Bureau of the Budget through Mar. 31, 1958	Purposes
	Thousand dollar equivalent	Thousand dollar equivalent	
Brazil.....	2,000	12,014	Approximately \$300,000 will be required for the Inter-American Geodetic Survey (IAGS) mapping projects in Brazil; remainder not yet programmed.
Chile.....	100	90	For IAGS mapping projects.
China (Taiwan)....	10,900	4,900	Projects for Chinese military forces.
Colombia.....	100	7	For IAGS mapping projects.
Iran.....	5,900	8,866	Support of the military budget of the Iranian Government to purchase specified items and services, including food, tires, batteries, and other military equipment.
Japan.....	( <sup>1</sup> )	( <sup>1</sup> )	U.S. military family housing. See 104 (f) currency uses.
Korea.....	106,800	65,130	Support of Korean military budget.
Pakistan.....	70,300	57,454	About 50 percent of these funds have been programmed for procurement related to base construction; 30 percent for support of Pakistan defense budget; remainder not yet apportioned.
Peru.....	100	100	For IAGS mapping projects.
Philippines.....	3,100		\$2.1 million for miscellaneous procurement related to base construction for the Philippine Government.
United Kingdom....	( <sup>1</sup> )	( <sup>1</sup> )	U.S. military family housing.
Viet-Nam.....	3,000		For support of Viet-Nam Defense budget.
Yugoslavia.....	88,900	57,666	For reconstruction of the Adriatic Highway (known as Jadranski Put).
Total.....	300,200	193,227	

<sup>1</sup> Allocation exceeds planned amount because of change in deposit rate.  
<sup>2</sup> Currencies for military family housing, originally reserved under 104 (c), are now accounted for under 104 (f) together with other housing funds since these are reimbursable uses.



As indicated in the table through March 31, 1958, about \$193 million of the \$300.2 million equivalent planned for section 104(c) had been allocated, mostly in areas of large agreements: Korea, Pakistan, and Yugoslavia. Actual disbursements totaled about \$98 million equivalent through March 31, 1958.

*Purchases of goods for other friendly countries.*—Section 104(d): Several sales agreements provide that a portion of local currency sales proceeds may be used to finance purchases of goods or services for other friendly countries. In total \$37.9 million equivalent of these funds (at deposit rates) has either been specifically earmarked or allocated for this purpose. ICA is responsible for administering the use of these funds and by June 30 had developed plans for using \$23.2 million equivalent (at current exchange rates for exports) and expects to conclude negotiations shortly to use an additional \$5.4 million equivalent of funds allocated.

TABLE IX.—Section 104 (d) program as of June 30, 1958

Sales proceeds from		Purchases programed for	
Country	Amount	Country	Amount
	<i>Million <sup>1</sup> dollars equivalent</i>		<i>Million <sup>1</sup> dollars equivalent</i>
Austria.....	2.8	Burma.....	5.0
Finland.....	3.6	China (Taiwan).....	1.2
France.....	4.6	Indonesia.....	1.7
India.....	6.0	Israel.....	5.0
Italy.....	10.0	Korea.....	2.4
Japan.....	10.9	Ryukyu Islands.....	3.3
		Spain.....	2.8
		Viet-Nam.....	1.8
Total.....	37.9	Total.....	23.2
		Adjustment (difference in exchange rates).....	1.0
		Grand total.....	24.2

<sup>1</sup> The dollar equivalent value assigned to sales proceeds earmarked or allocated reflects deposit rates agreed upon at the time the sales agreements were negotiated. The dollar equivalent value assigned to currencies programed for purchases reflects current exchange rates for exports.

During the reporting period, an allocation of \$13.0 million equivalent of finnmaks, valued at the rate at which deposits were made, was reduced to \$3.6 million equivalent. Consideration of a program to finance the purchase of ships for four Southeast Asia countries with finnmaks has been postponed.

It is the policy of the United States not to make advance commitments either to use these funds for purchases of specific commodities or to buy goods for a specific country. Standards conforming as closely as possible with commercial practices have

been established for the use of these funds. These are designed to avoid undue disruption of normal trade patterns and to assure that purchases are made at competitive prices.

*Grants for economic development.*—Section 104(e): A sales agreement signed recently with Ceylon provides for a grant of \$850,000 equivalent of foreign currency proceeds to accelerate the expansion of the faculties of the University of Ceylon in engineering, science, and agriculture. This grant was made on the basis that an important way of promoting economic development is to help the less developed countries to improve and expand their educational systems, including basic elementary, secondary, and college education, as well as vocational training.

*Loans to private enterprise.*—Section 104 (e): Public Law 128, approved August 13, 1957, amended section 104 (e) to provide that up to 25 percent of foreign currencies generated under each title I agreement shall be made available for loans to private business firms through the Export-Import Bank of Washington.

Under this legislation the bank may lend these currencies to (1) U.S. firms or their branches, subsidiaries, or affiliates for business development and trade expansion in the foreign country or (2) either U.S. or firms of that country for expanding markets for, and consumption of, U.S. agricultural products abroad. The law requires that the loans be mutually agreeable to the Export-Import Bank and the foreign country. It prohibits loans for the manufacture of products to be exported to the United States in competition with U.S. produced products, or for the manufacture or production of commodities to be marketed in competition with U.S. agricultural commodities or the products thereof. Loans are made and are repayable in the applicable foreign currency, and it is contemplated that the interest rates will be similar to those charged for comparable loans in the foreign country and the maturities similar to those in comparable Export-Import Bank dollar loans. Applications for loans are received either directly at the Export-Import Bank in Washington, D.C., or at the U.S. embassy abroad.

During the reporting period, 25 percent of the sales proceeds under the agreements concluded with Ceylon, China (Taiwan), Colombia, Ecuador, Finland, France, Iceland, India, Israel, Italy, Peru, the Philippines, and Viet-Nam, 15 percent



under the agreement with Turkey, and 4 percent in the case of Korea will be made available for this purpose. These amounts total the equivalent of \$52.7 million and bring the cumulative total set aside for private enterprise loans to the equivalent of \$88.4 million.

Eleven loans of Mexican pesos, the equivalent of more than \$3 million have been authorized by the bank. There has also been a heavy demand for loans of foreign currencies to private enterprise in several other countries, particularly Colombia, France, and Israel. For recently concluded agreements, currencies will not be available until commodities are shipped and paid for and a portion of the proceeds assigned to the Export-Import Bank.

**Military family housing.**—Public Law 765, 83d Congress, as amended, authorizes the use of up to \$250 million worth of foreign currencies generated by title I sales or other transactions of the CCC for the construction, rent, or other acquisition of United States military family housing and related community facilities in foreign countries. This legislation further provides that CCC shall be reimbursed from appropriations otherwise available for the payment of quarters allowances to the extent the housing is occupied.

During the reporting period the equivalent of \$26.5 million was earmarked for this purpose under new agreements, \$11 million for Spain, \$9.5 million for the United Kingdom, and \$6 million for France. Cumulative data are presented in table X.

The funds will be used for military family housing in these countries except that in the case of Austria and Finland housing materials will be purchased for use in other countries.

Of the total \$132.7 million equivalent planned, \$84.8 million has been allocated for the construction of 8,708 housing units; 2,205 of these units have been completed and occupied in the United Kingdom and Japan.

**Payment of United States obligations.**—Section 104 (f): Under agreements signed during the reporting period, \$190.4 million equivalent was tentatively earmarked for the payment of United States obligations. This brings to a total of \$781.5 million equivalent the amount potentially available for this use under agreements signed since the start of the program. Included in this total are funds available for other purposes des-

ignated in agreements but for which the amounts have not been specified.

United States agencies requiring foreign currencies for the payment of United States obligations purchase them with appropriated dollars from the Treasury through the United States disbursing officers in the embassies. The dollars derived from these sales are credited to CCC.

TABLE X.—*Tentative earmarking of foreign currency for military family housing since beginning of program*

	Planned under agreements	Allocated by Bureau of the Budget through Mar. 31, 1958
	Million dollars equivalent	Million dollars equivalent
Austria.....	8.7	8.7
France.....	6.0	4.6
Finland.....	7.0	7.7
Italy.....	13.0	17.0
Japan.....	125.0	1.5
Portugal.....	1.5	14.6
Spain.....	27.0	30.7
United Kingdom.....	44.5	
Total.....	132.7	84.8

<sup>1</sup> \$10.5 million of this will be released for other purposes.

<sup>2</sup> Includes approximately \$4.5 million worth of pounds planned for housing in Bermuda.

<sup>3</sup> Total does not include \$50 million barter transaction for housing in France reported in sixth semiannual report.

Through June 30, 1958, the Treasury had been authorized to sell \$261.3 million in foreign currencies to agencies for any purpose for which appropriated dollars were available. As of June 30, total reimbursements to CCC were \$145.2 million.

In a few countries balances available for allocation to the Treasury are accumulating in excess of anticipated agency needs for some years to come.

**Loans to foreign governments.**—Section 104 (g): Sales agreements signed through June 30, 1958, provide that about \$1.5 million equivalent of foreign currency proceeds may be used for loans to foreign governments to promote economic development and multilateral trade under section 104 (g) of the act.

Over two-thirds of these currencies are covered by loan agreements. As of June 30, 1958, loan agreements have been executed with 23 countries, providing for establishment of lines of credit in foreign currencies of up to \$987 million equivalent. This includes \$4.5 million equivalent of loans made to finance purchases of goods in other countries under section 104 (d) of the act. During the January-June 1958 period, loan agree-

ments totaling \$190 million equivalent have been negotiated with Argentina, Austria, Colombia, Finland, Israel, Italy, Pakistan, Peru, and Yugoslavia.

TABLE XI.—Public Law 480 loan agreements under section 104 (g) signed as of June 30, 1958<sup>1</sup>

Country	January-June 1958	Grand total
	Million dollars equivalent <sup>2</sup>	Million dollars equivalent <sup>3</sup>
Argentina.....	2.3	2.3
Austria.....	10.3	26.3
Brazil.....		149.2
Burma.....		17.3
Chile.....		31.7
Colombia.....	12.2	22.2
Ecuador.....		6.3
Finland.....	14.0	14.0
Greece.....		26.5
Iceland.....		2.2
India.....		234.1
Indonesia.....		42.0
Israel.....	21.0	60.3
Italy.....	51.2	81.2
Japan.....		108.9
Mexico.....		13.6
Pakistan.....	23.6	23.6
Paraguay.....		2.2
Peru.....	2.8	12.6
Portugal.....		3.4
Spain.....		10.5
Thailand.....		1.0
Yugoslavia.....	52.6	135.3
Total.....	190.0	986.7

<sup>1</sup> Loan agreements provide for establishment of lines of credit in foreign currencies up to the amounts stated. Shortfalls in deliveries of commodities and thus in the amount of foreign currencies deposited may result in a decrease in the amounts which will become available for loans.

<sup>2</sup> The dollar equivalent value assigned to foreign currencies covered by agreements reflects deposit rates agreed upon at the time the sales agreements were negotiated.

<sup>3</sup> Excludes an exchange loss of about \$5.1 million equivalent resulting from devaluation of the finmark.

<sup>4</sup> Includes agreements signed pursuant to section 104 (d) transactions.

Negotiations are continuing to conclude agreements covering the remainder of funds which are available or will become available for loans to foreign governments. During fiscal year 1958, such negotiations were conducted at the same time that sales agreements were being discussed to the maximum extent practicable. Sales agreements are usually signed in the foreign capitals by the U.S. Ambassador and a representative of the foreign government. Loan agreements, however, are signed in Washington since the Export-Import Bank acts as agent for the U.S. Government in these transactions under specific authorization by ICA. Therefore, even though substantive agreement has been reached on the terms of the loan at the time a sale is negotiated, there may be some delay in completing the actual signature of the loan documents in Washington. Loan agreements specify the terms and conditions of repayment which have been developed in cooperation with the National Advisory Council on Interna-

tional Monetary and Financial Problems. Although these are foreign currency loans, the loan agreements are denominated in dollars to maintain the dollar value of the foreign currency in the event of exchange-rate fluctuations. Loans are repayable in dollars or foreign currency; strategic materials may be accepted in repayment upon agreement on prices and terms. Loans made pursuant to sales negotiated after September 1957 require an interest rate of 4 percent if repaid in dollars and 5 percent if repaid in foreign currency. Prior to that time, interest rates were 1 percent lower.

Foreign governments are being encouraged to reloan some of the funds available to them under section 104 (g) to private borrowers. Express agreements to set aside a certain portion of these funds for this purpose, however, are no longer being sought in current sales negotiation in view of the amendment to section 104 (e) which specifically provides for loans to private enterprise. As a result of negotiations relating to earlier agreements, at least \$250 million equivalent has been reserved for this purpose and foreign governments have agreed that funds will be made available to private borrowers on a nondiscriminatory basis as to interest rates and other loan terms and conditions as between its citizens, United States nationals, and nationals of other friendly countries.

*Projects approved.*—Projects involving expenditures of up to \$581 million equivalent have been approved, including \$118 million during the reporting period. Some of these projects, particularly in Brazil, India, Italy, Israel, and Japan, include re-lending to private enterprise. Approved projects, for example, in some Latin American countries, Iceland, and Japan, will provide financing for a portion of the local costs of projects whose foreign exchange costs are being financed by the International Bank for Reconstruction and Development, the Export-Import Bank of Washington, or the International Cooperation Administration. Some loan funds are being used to supplement public expenditures for roads, port and storage facilities, and other improvements.

Conclusion of loan agreements and development and approval of projects are the major steps which must be completed by the U.S. Government and the borrowing country before disbursement of loan funds may be authorized. But loan funds

TABLE XII.—Public Law 480 loan projects approved as of June 30, 1958<sup>1</sup>

Country	January-June 1958 <sup>2</sup>	Cumulative <sup>3</sup>	Description of projects
	Million dollars equivalent	Million dollars equivalent	
Austria.....		16.0	Industrial projects, including electric power, iron and steel, metal processing, textile industry, etc. 14.2; tourism, 1.0; regional development, 0.8
Brazil.....		* 31.32	Agricultural silo facilities, 4.9; extension and rehabilitation of railways, 13.5; river navigation and port improvement, 2.7; metallurgical works, 3.6; cold storage meat plants, 0.9; electric energy production, 4.5.
		117.9	Expansion of hydroelectric and power production, railway construction, expansion of iron and steel production.
Chile.....	27.7	31.7	Highway and port improvement, 13.0; irrigation, drainage, and forestry, 5.3; food processing facilities, 4.9; housing, 3.0; agricultural training center and experiment station, 3.0; coal industry, 2.5.
Colombia.....	12.2	22.2	Revolving loan funds for various purposes, including development of mining, lumber, and livestock production, farm-to-market roads, and food storage facilities.
Ecuador.....		6.3	Agricultural credit system in tropical coastal area, 3.1; loans to agricultural producers, 2.0; industrial development, 1.0; highway improvement and maintenance, 0.2.
Finland.....	14.0	14.0	Construction: Hydroelectric plant, 10.9; fluting board plant, 3.1.
Greece.....	3.6	23.5	Extension and modernization: Roads and bridges, 9.0; electrical grid, 3.9; Workers' low cost housing, 2.0; small community works, including access roads, water installations, and range control, 4.0; vocational education, 0.2; Foreign Economic Development Finance Corporation, 3.0.
Iceland.....		2.2	Hydroelectric plant.
India.....		55.0	Loans through Refinance Corporation of India to private industry.
Israel.....	6.5	43.3	Irrigation, well-drilling, and agricultural development, 6.7; agricultural settlements (construction of farm buildings), 2.8; land preparation, 0.4; agricultural research studies, 0.3; afforestation, 0.4; development of roads, 4.7; development of railways, 1.4; electric power construction, 6.5; housing development, 3.1; development of telephone services, 2.1; industrial expansion, 13.1; loans to small industries, 0.9; encouragement of exports, 0.8.
Italy.....	51.2	81.2	Industrial development in Southern Italy, 32.6; revolving loan fund—tourist facilities, 8.0; loan for industrial export promotion, 11.0; loan fund for creation of small land owners, 8.0; loans to small producers for expansion of livestock production, marketing and processing facilities, 8.0; vocational education, 13.6.
Japan.....		59.5	Electric power development, 50.7; irrigation drainage and reclamation, 8.4; productivity center, 0.4.
		49.35	Electric power development, 21.9; irrigation and land development, 12.7; land reclamation for industrial sites, 1.9; productivity center 2.8; forest development, 2.8; industrial marketing and processing, 4.5; improvement of fishing port facilities, 1.9; silk center, 0.4; undetermined, 0.5.
Paraguay.....		2.2	Highway and bridge construction and improvement, 0.7; airport development, 0.2; sewerage system, 0.7; agricultural development (primarily coffee), 0.6.
Peru.....	2.8	12.6	Irrigation and land development, road and dam construction; expansion of agricultural research station; leather products production; loans to private borrowers.

TABLE XII.—Public Law 480 loan projects approved as of June 30, 1958<sup>1</sup>—Continued

Country	January-June 1958 <sup>2</sup>	Cumulative <sup>3</sup>	Description of projects
	Million dollars equivalent	Million dollars equivalent	
Portugal.....		3.4	Storage facilities for bananas and cereals.
Spain.....		9.0	Reforestation and watershed control, 5.1; small irrigation projects for non-citrus fruit and vegetable production, 2.6; soil conservation, 0.3; land consolidation, 1.0.
Total.....	118.0	580.7	

<sup>1</sup> This tabulation includes only projects approved within current loan agreements. Projects which may have been tentatively approved prior to completion of loan agreements are not included.

<sup>2</sup> Approval of projects allows expenditures of up to the amounts stated. The total amount available for these projects would decrease if the amount available for loans is less than that anticipated.

<sup>3</sup> Projects total \$30.1 million equivalent because of probable shortfall in loan funds available.

may not actually be available for disbursement for some time even after these steps have been completed for the following reasons:

First, funds are not available for loans or for any other purpose until the foreign currencies have been deposited to the U.S. account. Foreign governments deposit currencies as the surplus commodities are purchased through private trade channels in the United States, pursuant to authorizations issued by the Department of Agriculture. A reasonable time must be allowed to make these purchases and arrange for shipment of the commodities. Depending upon the size of the sales agreement, the commodities involved, and other factors, 3 months to a year or more may be required to complete shipment of all commodities included in a sales agreement.

Second, funds do not usually become available for loan disbursement until the full amount of the sales proceeds earmarked for all other purposes has been deposited to U.S. account. Under the terms of the sales agreement, the United States has the right to determine the order and priority of expenditures of foreign currencies among the various purposes specified in the agreement. Recent sales agreements provide that shortfalls in the expected accrual of foreign currencies which may result from the failure to purchase the full amount of commodities included in the agreement, or for other reasons, are deductible from the amounts set aside for loans under section 104 (g). In order to carry out this provision, apportionments of loan funds may be delayed until there is reasonable assurance that the full amount of the planned foreign currency proceeds will be deposited.

Table XIII summarizes the status of the Public Law 480 loan program as of March 31, 1958. A total of \$1,378 million equivalent was reserved for loans under section 104 (g) in all sales agreements concluded up to that time. A total of \$911 million equivalent of deposits was available for loan purposes; that is, in almost every instance this was the amount of funds on deposit in excess of that required for all other foreign currency uses specified in the sales agreements. Agreements providing for loans of \$863 million equivalent had been signed. Projects had been approved providing for expenditures of up to \$527 million equivalent, covering 60 percent of the amount included in loan agreements. About 43 percent of the deposits, or \$391 million equivalent, had been made by countries which had also signed loan agreements and for which loan projects had been approved. Over two-thirds of these funds, amounting to \$263 million equivalent, had been disbursed by ICA through March 31, 1958, and additional disbursements will be made as work on projects proceeds and additional funds are required.

Of the remaining \$520 million equivalent of deposits, disbursements could not take place either

because loan agreements had not been signed or projects had not been approved. About 80 percent of this amount had been deposited to U.S. account by six countries, including Indonesia, Italy, Spain, Turkey, India, and Yugoslavia. Loan agreements were pending at that time with the first four of these countries named, and in the last two countries mentioned delays in approving loan projects had also held up disbursement of funds.

*International educational exchange.*—Section 104 (h): The educational exchange program is authorized by Congress to help promote mutual understanding between the people of the United States and those of other countries.

Based upon the planned uses of foreign currency under title I agreements signed from the beginning of the program through June 30, 1958, the Department of State has entered into 14 new executive agreements or amendments and extensions of previous agreements in support of educational exchange programs as provided in Public Law 584, 79th Congress (the Fulbright Act). These are summarized in table XIV.

Because of the time required to (1) negotiate binational agreements which are prerequisites to

TABLE XIII.—Status of loan program under section 104 (g), as of March 31, 1958

Country	Amount earmarked by sales agreements	Loan agreements		Projects approved	Deposits available <sup>1</sup>			Disbursements by ICA
		Signed	Pending		Total	Loan agreements signed and projects approved	Loan agreements or projects pending	
	Million dollars equivalent	Million dollars equivalent	Million dollars equivalent	Million dollars equivalent	Million dollars equivalent	Million dollars equivalent	Million dollars equivalent	Million dollars equivalent
Argentina.....	20.0		20.0		18.2		18.2	
Austria.....	26.4	16.0	10.4	16.0	15.0	15.0		8.3
Bolivia.....	5.4		(2)					
Brazil.....	149.2	149.2		149.2	37.7	37.7		22.5
Burma.....	18.1	17.3	.8		17.0		17.0	
Chile.....	31.7	31.7		31.7	30.3	30.3		2.1
Colombia.....	26.5	22.2	4.3	22.2	15.0	15.0		9.0
Ecuador.....	6.3	6.3		6.3	4.9	4.9		3.5
Egypt.....	13.6		13.6		13.3		13.3	
Finland.....	14.0	14.0		14.0	14.0	14.0		14.0
Greece.....	37.5	26.5	11.0	19.9	26.7	19.9	6.8	18.2
Iceland.....	2.2	2.2		2.2	1.9	1.9		1.5
India.....	234.1	234.1		55.0	160.2	55.0	105.2	
Indonesia.....	79.0		79.0		67.5		67.5	
Iran.....	2.5		2.5		.6		.6	
Israel.....	57.8	57.8		47.1	41.2	41.2		36.8
Italy.....	100.6	30.0	70.6	30.0	65.4	30.0	35.4	22.0
Japan.....	108.9	108.9		108.9	103.7	103.7		103.7
Mexico.....	13.6	13.6			23.6		23.6	
Pakistan.....	54.4	23.6	30.8					
Paraguay.....	2.2	2.2		2.2	2.1	2.1		2.1
Peru.....	10.4	9.8	.6	9.8	8.1	8.1		7.0
Philippines.....	5.2		5.2					
Portugal.....	3.4			3.4	3.4	3.4		3.4
Spain.....	143.2	10.5	132.7	9.0	108.1	9.0	99.1	9.0
Thailand.....	2.1	1.0	1.1		1.6		1.6	
Turkey.....	73.9		73.9		48.6		48.6	
Yugoslavia.....	135.3	82.7	52.6		82.7		82.7	
Total.....	1,377.5	863.0	509.1	526.9	910.8	391.2	519.6	263.1

<sup>1</sup> Deposits in excess of amounts required for all other purposes of section 104 specified in sales agreements except in those instances in which larger appropriations of funds for 104(g) have actually been made.

<sup>2</sup> Sales agreement expired with no sales having been made.



additional exchange programs as authorized under Public Law 584, and (2) plan annual programs on a truly binational basis, activities under the program proceeded slowly at first. The Department of State had no active programs supported under Public Law 480 during fiscal year 1955. In fiscal year 1956, only one program was actively in operation and only 23 grantees—students, teachers, lecturers, and professors—were exchanged. In fiscal year 1957, however, 290 grantees were exchanged. In fiscal year 1958, 1,056 grantees were exchanged making a total of 1,369 grantees who have participated in the program.

*Translation, publication, and distribution of books and periodicals.*—Section 104 (i): The U.S. Information Agency's program consists of assistance to countries concluding title I agreements for the translation, publication, and distribution of U.S. and U.S.-oriented textbooks at prices which students and ministries of education can afford to pay.

During the past 6 months, foreign currencies apportioned to the Agency were used to initiate the following textbook programs (in dollar equivalent): Austria, \$75,000; Colombia, \$50,000; and Turkey, \$100,000. The finmarks, \$250,000 equivalent, apportioned to the Agency were used to purchase paper in Finland for book programs in paper-short countries in the Near East. The previously proposed textbook program for Spain was postponed indefinitely.

*Assistance to American-sponsored schools, libraries, and community centers.*—Section 104 (j): Under this authority, programs for the expansion and improvement of American-sponsored schools overseas to demonstrate American educational practices are developed by the Department of State and plans for the acquisition, expansion, and improvement of facilities of binational cultural organizations abroad are prepared by the U.S. Information Agency.

In accordance with section 203 of the United States Information and Educational Exchange Act of 1948, as amended, allocations have been approved for foreign currencies under section 104 (j) for the support of 17 schools in 7 countries. The amount in dollar equivalent for each of the countries in which these schools are located is: Brazil, \$565,000; Colombia, \$600,000; Ecuador, \$220,000; Greece, \$500,000; Italy, \$1 million;

Peru, \$235,000; and Turkey, \$1 million. Of the \$4,120,000 equivalent allocated, during fiscal year 1958 grants in aid were concluded in the amount of \$2,877,000.

The U.S. Information Agency's assistance to qualified binational center organizations includes the construction, purchase, or improvement of buildings, acquisition and installation of fixtures

TABLE XIV.—*International educational exchange agreements concluded since beginning of program*

Country	Executive agreements concluded
	Thousand dollar equivalent
Argentina.....	600
Brazil.....	980
Chile.....	500
China (Taiwan).....	750
Colombia.....	500
Ecuador.....	300
Finland.....	250
Iran.....	750
Japan.....	2,066
Pakistan.....	1,050
Paraguay.....	150
Peru.....	500
Thailand.....	400
Turkey.....	750
Total.....	9,546

and equipment, and the prepayment of leases for 3 years or more.

During the reporting period, foreign currencies have been apportioned to assist binational organizations in three countries. The equivalent of \$190,000 in foreign currency in Colombia is being used to assist in paying for the construction, or for the purchase, of buildings to house qualified binational centers in Bogotá, Medellín, Barranquilla, and Cali. In Peru, the foreign currency equivalent of \$85,000 is being used to assist in the construction of new buildings for established binational centers in Lima and Trujillo. About \$500,000 in foreign currency is being used in Turkey to acquire a headquarters building for the Turkish-American Association in Ankara. During the same period, foreign currencies were allocated for projects in Brazil.

*Scientific activities.*—Section 104 (k): This new currency use was discussed in the introduction of this report. Since this use was authorized on June 30, 1958, there was no activity during the reporting period.

## Title II

Title II of Public Law 480 authorizes the use of up to \$800 million of commodities held in stock by

CCC to help friendly foreign people to meet famine or other urgent or extraordinary relief requirements. Payment of ocean-freight costs for these commodities, as well as for donations of surplus foods for use abroad under title III of the act, may be financed from this authorization.

ICA is responsible for administering the program and during the reporting period authorized shipment of \$57.9 million of commodities, including \$54.1 million of bread grains, coarse grains, and rice; \$3.8 million of milk and milk products; and \$35,000 of raw cotton. In addition, payment of \$6.7 million of ocean freight costs on these shipments was authorized, as well as \$12.6 million of freight costs on title III donations. Authorizations for the year as a whole totaled \$117.7 million, including \$82.6 million of commodities and \$35.1 million of ocean transportation costs. Over the 4-year period ending June 30, 1958, \$461.5 million has been obligated.

Programs undertaken during the last 6 months are illustrative of the scope of this legislation. About 65,000 metric tons of wheat, valued by CCC at \$12 million, are being made available to Lebanon to assist people affected by severe drought and crop failure, as well as by the current hostilities. Prolonged drought in Jordan resulted in an acute need for emergency distribution of food and feed grains and \$3.8 million of these commodities are being supplied. About 3,000 tons of wheat were programmed for Libya to relieve hardship resulting from severe drought in some parts of the country, coupled with unemployment arising from the withdrawal of some of the British troops formerly stationed there. In Tunisia, severe unemployment and emergency famine conditions will be relieved by public works projects and workers will be paid partly with wheat supplied by the United States. In another program for Tunisia, undertaken at the request of the United Nations High Commissioner for Refugees, wheat, cheese, and nonfat dry milk, valued in all at \$6.2 million, are being furnished to meet urgent relief needs of Algerian refugees. Over \$9 million of wheat flour and rice were supplied to needy persons in Ceylon who suffered from a flood which created widespread havoc and damage to food stocks, reservoirs, and farm land. About 20,000 tons of wheat were furnished to Nepal to prevent famine and serious social unrest which otherwise would have resulted from

major crop failures caused by two successive drought years. In order to deliver the grain before the monsoon season, the Government of India agreed to advance the wheat from its stocks against replacement shipments from the United States. Nepal also requested emergency food relief from Canada and Australia. Food stocks were seriously reduced in the Ryukyu Islands as a result of Typhoon Faye and 6,700 tons of rice were shipped to help persons who suffered from this emergency.

About \$2.8 million of wheat flour and \$2.0 million of nonfat dry milk were sent to Italy to continue the U.S. contribution to the school lunch program for needy Italian children and to extend the program further into depressed areas. About 36,000 tons of wheat flour and 6,000 tons of corn meal with a total value of \$7.8 million were also supplied to Italy for a rural assistance program. The earlier U.S. commitment to help the Austrian Government meet the emergency costs of the influx of Hungarian refugees is being concluded by shipment of about \$8 million of corn.

At the request of one of the U.S. voluntary agencies, 200 bales of raw cotton with a CCC cost of about \$35,000 were supplied for the production of cotton-stuffed comforters for China (Taiwan). The voluntary agency will furnish the other materials and labor required in the manufacture of the comforters and will arrange for free distribution to the needy. Some changes were made in connection with a previous program for Peru under which grains were supplied for drought relief in the southern part of the country. It was found that the full amount of the food grains authorized was not needed and that up to 1,500 tons of nonfat dried milk should be supplied instead. The net result of this revision is a reduction of about \$2.0 million in the cost of all commodities supplied to Peru under this program.

### **Title III**

Title III of the act covers donations of surplus foods for domestic use and for distribution abroad by nonprofit voluntary agencies and intergovernmental organizations. Title III also covers CCC barter activities.

*Section 302, domestic donations.*—During the January-June 1958 period, the distribution of surplus commodities to domestic outlets has been made under authority of Public Law 480 and

under authority of section 32 of the Agricultural Act of 1935, as amended.

For this reporting period, domestic donations totaled approximately 500 million pounds, of which about 300 million pounds, valued at \$28 million, were distributed under title III. Domestic recipients of these commodities included more than 13.6 million children in public and private schools, 1.4 million persons in charitable institutions, and about 4 million needy persons in family units. Cheese, dry milk, flour, corn meal, and rice were available for distribution throughout the period January-June 1958—and butter was available for welfare distribution beginning April 1.

*Section 302, foreign donations.*—Section 302 of the act authorizes donations of surplus foods in CCC stocks to nonprofit, voluntary relief agencies of the United States and to intergovernmental organizations such as the United Nations Children's Fund to assist needy persons in friendly countries abroad. Most of these agencies have been carrying on regular relief distribution programs around the world for many years. The availability of surplus foods permits them to distribute substantially larger amounts of relief foods than would be possible from private financing.

Under this authority the costs of processing, packaging, and other related matters are paid by the United States. The Agricultural Act of 1956 permits the use of title II funds to finance the ocean-freight costs of these shipments. In some instances ocean-freight costs are paid in whole or in part by the voluntary relief agencies or the government of the recipient country. In all instances, foreign governments accord duty-free entrance to these shipments. When the United States finances ocean transportation costs, the expense of inland transportation and overseas distribution must be paid by the foreign government or the voluntary agency. Commodities are clearly identified as being "Donated By The People of The United States of America." The foods are donated to needy persons who do not have the means to buy them. Program plans, annual estimates of requirements, and foreign operations are reviewed by representatives of United States missions or consulates to avoid duplication of effort and assure a sound operating program. Coordinating committees have been established in most

of the principal receiving countries in which two or more voluntary agencies operate. Assurances are obtained that the relief program does not conflict with normal commercial trade or other surplus food disposal operations of the United States.

Cheese, corn meal, wheat flour, nonfat dry milk, corn, and wheat were available for distribution throughout the period January-June 1958. Corn and wheat were not available for commercial milling overseas but were made available to a limited number of countries where recipients normally milled their own grains. The quantity and value of commodities approved for foreign donation for the period January-June 1958 are shown in table XV.

TABLE XV.—Commodities approved for donation for foreign relief through nonprofit voluntary agencies and intergovernmental organizations, January-June 1958

Commodity	Pounds	Estimated CCC cost
	Millions	Million dollars
Cheese.....	78.7	32.8
Corn meal.....	26.6	1.3
.....	111.5	8.1
Nonfat dry milk.....	206.9	38.2
Wheat.....	16.3	.9
Wheat flour.....	373.5	29.1
Total.....	813.5	110.4

*Section 303, barter.*—This authority, 1 of 6 legislative acts providing for barter, reemphasized this program by directing the Secretary of Agriculture to arrange barter operations where such operations protect the funds and assets of CCC. It also directs other agencies to cooperate. In addition, Public Law 161, 84th Congress, authorizes acquisition of certain United States military housing abroad with foreign currencies generated by agricultural export programs, including barter transactions.

Barter is effected through contracts between CCC and private United States business firms under which the contracting firms use commercial trade channels in fulfilling these contracts. Barter contracts generally provide for the delivery of specified foreign produced materials with payment to be received in CCC-owned agricultural commodities which must be exported by the contractor. There is no requirement that the materials come from the same country to which agricultural commodities are shipped.

The barter contractor must satisfy CCC that a proposed transaction will mean an increase in United States exports of the agricultural commodities involved. Major agricultural commodities may be shipped without a specific showing of additional trade to areas where commercial trade in these commodities is negligible; however, shipments to countries considered to be dollar markets may be made only where additional trade can be assured.

The program also has the following requirements: Interest must be paid to CCC for any timelag between delivery to the barter contractor of the agricultural commodity and receipt of materials by CCC; agricultural commodities cannot be transhipped from approved countries of destination; barter materials delivered may not be of U.S. origin or processed in the United States and the origin of the materials must be specified; and financial coverage for agricultural commodities taken in advance of barter material deliveries is required in the form of cash deposits or irrevocable letters of credit in favor of CCC.

Barter contracts negotiated during the January-June 1958 period totaled \$55.6 million. Barter exports of agricultural commodities from CCC inventories against outstanding contracts had an export market value of \$23.6 million in January-June 1958 in comparison with barter-material deliveries to CCC of \$103 million in the same period.

The \$55.6 million in barter contracts negotiated in this reporting period compares with contracts totaling \$5.6 million for the previous reporting period and the average 6-month rate of \$145 million under the barter program during the period July 1954 through June 1957 (table XVI).

TABLE XVI.—Summary of barter contracts entered into in specified periods<sup>1</sup>

Materials	1949-50 through 1953-54	1954-55 through 1956-57	July- Decem- ber 1957	January- June 1958
Strategic:	Million dollars	Million dollars	Million dollars	Million dollars
Minimum stockpile.....	71.8	131.5		8.4
Long-term stockpile.....		249.6		
Supplemental stockpile <sup>2</sup> .....		370.6	5.6	47.2
Total strategic.....	71.8	771.7	5.6	55.6
Supply: <sup>3</sup>				
ICA.....	28.4	31.0		
AEC.....	7.4	13.3		
Defense.....		54.1		
Total supply.....	35.8	98.4		
Grand total.....	107.6	870.1	5.6	55.6

<sup>1</sup> Years beginning July. June 1958 preliminary.

<sup>2</sup> Adjustments have been made to reflect transfers to minimum stockpile as follows: \$133.8 million from long-term acquisitions and \$7.1 million from supplemental acquisitions.

<sup>3</sup> Materials transferred or to be transferred to supplemental stockpile with reimbursement as provided by section 206 of the Agricultural Act of 1956.

<sup>4</sup> Materials, goods, and equipment for other Government agencies.

Agricultural commodity exports by contractors in fulfillment of barter contracts with CCC reflected the decline in contracting and totaled \$23.6 million for the period covered by this report (table XVII).

Forty-nine countries have received agricultural commodities exported under barter arrangements

TABLE XVII.—Agricultural commodities exported under barter contracts in specified periods<sup>1</sup>

Commodity	Unit	1949-50 through 1953-54	1954-55 through 1956-57	July-De- cember 1957	January-June 1958 <sup>2</sup>		
					Under all contracts	1954-55 through 1956-57 contracts	1957-58 contracts
Wheat.....	Bushel.....	1,000 units 33,445	1,000 units 200,178	1,000 units 3,421	1,000 units 6,263	1,000 units 1,291	1,000 units 4,972
Corn.....	do.....	9,338	105,428	8,749	3,155	1,050	2,105
Barley.....	do.....		62,057	954	1,967	726	1,241
Oats.....	do.....		36,681	1,353	120	120	
Rye.....	do.....		11,448	121	82	82	
Grain sorghums.....	Hundredweight.....	990			151		151
Cottonseed oil.....	Pound.....	4,630	34,731				
Wool.....	do.....			6,348	5,628	5,628	
Cotton.....	Bale.....	56	1,022	421	22	4	18
Others <sup>4</sup> .....	Metric ton.....	20	99	8	2		2
Total quantity.....	Metric ton.....	1,227	12,427	465	314	85	229
Total value.....		Million dollars 107.6	Million dollars 823.7	Million dollars 75.2	Million dollars 23.6	Million dollars 7.8	Million dollars 15.8

<sup>1</sup> Years beginning July 1.

<sup>2</sup> Includes partial estimate for June.

<sup>3</sup> Includes sales with exportation to be made by July 31, 1958, under cotton export sales program announcement CN-EX-4 dated Feb. 19, 1957, as amended, and sales with exportation to be made on or after Aug. 1, 1958, under cotton export sales program announcement CN-EX-5 dated Apr. 23, 1958.

<sup>4</sup> Includes flaxseed, butter, dried skim milk, linseed oil, cottonseed meal, soybeans, tobacco, peanuts, beans, and rice.



under the barter program July 1, 1954, through June 30, 1958, as shown in table XVIII.

TABLE XVIII.—Value of agricultural commodity exports under barter contracts by destination, July 1, 1954, through June 30, 1958<sup>1</sup>

Country	Value	Country	Value
	1,000 dollars		1,000 dollars
Austria.....	5,758	Japan.....	121,167
Belgium.....	104,748	Korea.....	3,255
Brazil.....	547	Lebanon.....	73
British Malaya.....	7	Mexico.....	13,312
Chile.....	2,951	Mozambique.....	380
China (Taiwan).....	2,909	Netherlands.....	129,112
Colombia.....	5,460	Norway.....	14,159
Costa Rica.....	211	Pakistan.....	14
Cuba.....	1,655	Panama.....	74
Cyprus.....	6	Peru.....	2,559
Denmark.....	6,638	Philippines.....	320
Ecuador.....	33	Portugal.....	5,298
Egypt.....	8,080	Saudi Arabia.....	281
El Salvador.....	72	Spain.....	5,032
Finland.....	2,884	Sweden.....	5,620
France.....	40,434	Switzerland.....	3,194
West Germany.....	117,904	Thailand.....	3
Greece.....	11,606	Triste.....	1,371
Guatemala.....	215	Turkey.....	12,904
Hong Kong.....	49	United Kingdom <sup>2</sup> .....	203,145
India.....	4,141	Uruguay.....	1,043
Indonesia.....	196	Venezuela.....	712
Iran.....	322	Yugoslavia.....	2,743
Ireland.....	19,498	Others <sup>3</sup> .....	34,825
Israel.....	9,074		
Italy.....	17,410	Total.....	922,504

<sup>1</sup> Commodity values at export market prices. Includes partial estimate for June 1958.

<sup>2</sup> Includes data for other British Commonwealth countries for contracts entered into prior to July 1, 1957. It is estimated that about 85 percent of the value shown covers shipments to the United Kingdom; the remaining 15 percent covers shipments to other countries of the British Commonwealth, including Australia, Canada, and Union of South Africa.

<sup>3</sup> Includes shipments for which documents listing countries of destination have not been processed.

The rate of material deliveries in the report period to CCC by contractors against barter agreements increased somewhat over the average for past periods. Acquisitions of stockpile materials to date have been limited by CCC to materials within the Office of Defense Mobilization procurement directives for both the strategic and supplemental stockpiles. Materials delivered in the report period compared with past deliveries are indicated in table XIX.

CCC has received reimbursement for \$229.4 million in strategic materials delivered to the strategic stockpile and \$69.8 million in materials delivered to other Government agencies. A total of \$298.4 million in strategic materials has been transferred to the supplemental stockpile. CCC has been reimbursed for \$218.9 million of this total by the Second Supplemental Act of 1958, Public Law 352, 85th Congress, and will be reimbursed for the balance in the form of subsequent appropriations as provided in section 206 of Public Law 540, 84th Congress. The balance of the materials in CCC's inventories, as well as subse-

TABLE XIX.—Value of materials delivered by barter contractors in specified periods<sup>1</sup>

Materials	1949-50 through 1953-54	1954-55 through 1956-57	July-December 1957	January-June 1958 <sup>2</sup>		
				Under all contracts	1954-55 through 1956-57 contracts	1957-58 contracts
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Strategic:						
Minimum stockpile.....	71.8	138.9	5.7	13.0	13.0	-----
Long-term stockpile.....	-----	107.1	28.4	52.3	52.3	-----
Supplemental stockpile <sup>3</sup> .....	-----	234.1	51.6	26.8	13.9	12.9
Total strategic.....	71.8	480.1	85.7	92.1	79.2	12.9
Supply: <sup>4</sup>						
ICA.....	28.4	30.8	-----	-----	-----	-----
AEC.....	-----	.4	3.0	3.8	3.8	-----
Defense.....	7.4	.6	2.1	7.1	7.1	-----
Total supply.....	35.8	31.8	5.1	10.9	10.9	-----
Grand total.....	107.6	511.9	90.8	103.0	90.1	12.9

<sup>1</sup> Years beginning July 1.

<sup>2</sup> Includes partial estimate for June 1958.

<sup>3</sup> Materials transferred or to be transferred to supplemental stockpile as provided by section 206 of the Agricultural Act of 1956.

<sup>4</sup> Materials, goods, and equipment for other Government agencies.

quent deliveries of such materials under existing contracts, will be transferred to the stockpiles or to other Government agencies with reimbursement to CCC.

NOTE: An appendix to this report contains the following additional tables (not printed here):

Table I: Commodity composition of programs under title I, P. L. 480 agreements signed Jan. 1, 1958, through June 30, 1958.

Table II: Approximate quantities of commodities under title I, P. L. 480 agreements signed Jan. 1, 1958, through June 30, 1958.

Table III: Planned uses of foreign currency under title I, P. L. 480 agreements signed Jan. 1, 1958, through June 30, 1958.

Table IV: Commodity composition of programs under title I, P. L. 480 agreements signed July 1, 1954, through June 30, 1958.

Table V: Approximate quantities of commodities under title I, P. L. 480 agreements signed July 1, 1954, through June 30, 1958.

Table VI: Planned uses of foreign currency under title I, P. L. 480 agreements signed July 1, 1954, through June 30, 1958.

Table VII: Commodity composition of programs under title I, P. L. 480 agreements signed July 1, 1954, through June 30, 1955.

Table VIII: Approximate quantities of commodities under title I, P. L. 480 agreements signed July 1, 1954, through June 30, 1955.

Table IX: Planned uses of foreign currency under title I, P. L. 480 agreements signed from July 1, 1954, through June 30, 1955.

Table X: Commodity composition of programs under title I, P. L. 480 agreements signed July 1, 1955, through June 30, 1956.

Table XI: Approximate quantities of commodities under title I, P. L. 480 agreements signed July 1, 1955, through June 30, 1956.

Table XII: Planned uses of foreign currency under title I, P. L. 480 agreements signed July 1, 1955, through June 30, 1956.

Table XIII: Commodity composition of programs under title I, P. L. 480 agreements signed July 1, 1956, through June 30, 1957.

Table XIV: Approximate quantities of commodities under title I, P. L. 480 agreements signed July 1, 1956, through June 30, 1957.

Table XV: Planned uses of foreign currency under title I, P. L. 480 agreements signed July 1, 1956, through June 30, 1957.

Table XVI: Commodity composition of programs under title I, P. L. 480 agreements signed July 1, 1957, through June 30, 1958.

Table XVII: Approximate quantities of commodities under title I, P. L. 480 agreements signed July 1, 1957, through June 30, 1958.

Table XVIII: Planned uses of foreign currency under title I, P. L. 480 agreements signed July 1, 1957, through June 30, 1958.

Table XIX: Transfer authorizations issued under title II, P. L. 480, Jan. 1-June 30, 1958.

Table XX: Transfer authorizations issued under title II, P. L. 480, July 1, 1954-June 30, 1958.

Table XXI: Transfer authorizations issued under title II, P. L. 480, fiscal year 1955.

Table XXII: Transfer authorizations issued under title II, P. L. 480, fiscal year 1956.

Table XXIII: Transfer authorizations issued under title II, P. L. 480, fiscal year 1957.

Table XXIV: Transfer authorizations issued under title II, P. L. 480, fiscal year 1958.

Table XXV: Title III, P. L. 480—Authorizations for foreign donations, fiscal years 1955-57.

## Congressional Documents Relating to Foreign Policy

### 85th Congress, 2d Session

Relative to the Establishment of a United Nations Force. Report to accompany H. Con. Res. 373. H. Rept. 2581, August 13, 1958. 6 pp.

Participation in the California International Trade Fair and Industrial Exposition To Be Held in Los Angeles, Calif., From April 1 to 12, 1959. Report to accompany H. J. Res. 658. H. Rept. 2592, August 13, 1958. 3 pp.

Convention With Norway Modifying and Supplementing the Convention of June 13, 1949, Relating to Double Taxation. Message from the President of the United States transmitting the convention. S. Exec. D, August 14, 1958. 4 pp.

Foreign Service Annuities. Report to accompany H. R. 13715. H. Rept. 2599, August 14, 1948. 3 pp.

Authorizing Appropriations for Continuing the Construction of the Rama Road in Nicaragua. Report to accompany S. 3712. H. Rept. 2627, August 14, 1958. 4 pp.

Euratom Cooperation Act of 1958. Report to accompany S. 4273; S. Rept. 2370; August 14, 1958; 21 pp. Report to accompany H. R. 13749; H. Rept. 2647; August 15, 1958; 21 pp.

Concurrent Resolution To Approve Agreement With Euratom. Report to accompany H. Con. Res. 376. H. Rept. 2648, August 15, 1958. 3 pp.

Amending Act of June 10, 1938, Relating to Participation by the United States in the International Criminal Police Organization. Report to accompany S. 4169. S. Rept. 2403, August 15, 1958. 6 pp.

## TREATY INFORMATION

### Current Actions

#### BILATERAL

##### Cuba

Convention regarding the conservation of shrimp. Signed at Habana August 15, 1958. Enters into force on the date of exchange of instruments of ratification.

##### Denmark

Agreements for settlement of claims in connection with the requisitioning of 40 Danish ships during World War II. Effected by exchange of notes at Washington August 28, 1958. Entered into force August 28, 1958.

##### Sudan

Interpretation of certain clauses of the economic, technical, and related assistance agreement with the Sudan of March 31, 1958 (TIAS 4014). Effected by exchange of notes at Khartoum July 1 and 12, 1958. Entered into force July 12, 1958.

## DEPARTMENT AND FOREIGN SERVICE

### Recess Appointments

The President on August 28 appointed Leonard J. Saccio to be Deputy Director of the International Cooperation Administration in the Department of State. (For biographic details see Department of State press release 499 dated August 28.)

### Designations

Raymond E. Murphy as special assistant to the Director of the Bureau of Intelligence and Research, effective August 11.

John H. Stutesman, Jr., as Special Assistant to the Deputy Under Secretary for Administration, effective August 11.

Robert N. Magill as NATO adviser in the Office of European Regional Affairs, effective August 18.

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<b>Atomic Energy.</b> President Approves EURATOM Cooperation Act of 1958 . . . . .	415
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### Check List of Department of State Press Releases: August 25-31

Press releases may be obtained from the News Division, Department of State, Washington 25, D. C. Releases issued prior to August 25 which appear in this issue of the BULLETIN are Nos. 484 of August 22 and 491 of August 23.

No.	Date	Subject
492	8/25	Travel in Austria.
*493	8/25	Ghana and Kaiser Co. sign Volta River survey agreement.
*494	8/26	Palmer named Consul General at Salisbury, Federation of Rhodesia and Nyasaland (biographic details).
*495	8/26	Penfield named Deputy Assistant Secretary for African Affairs (biographic details).
*496	8/27	Convertibility guaranty contract with U.S. firm.
*497	8/28	Educational exchange.
†498	8/28	Agreement with Denmark on compensation for Danish ships.
*499	8/28	Saccio named ICA Deputy Director (biographic details).
†500	8/28	Delegate to ECAFE Working Party on Economic Development and Planning (rewrite).
501	8/28	Department statement on Peiping Radio broadcast on liberation of Taiwan.
502	8/28	Murphy appointed member of Advisory Commission on Educational Exchange (rewrite).
*503	8/30	Mayor of Paris visits U.S. under educational exchange program.

\* Not printed.

† Held for a later issue of the BULLETIN.

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